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# ***JPRS Report***

## **East Europe**

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14 SEPTEMBER 1987

## EAST EUROPE

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## BERECZ CALLS FOR UNITY, DOMESTIC STABILITY

Budapest KEPES 7 in Hungarian 23 May 87 pp 10-11

[Based on a speech given by Janos Berecz, MSZMP CC Secretary and MSZMP CC Politbureau member at the 9 May National Peace Conference]

[Text] "Friendship is a valuable human trait. There can be friendship between two individuals, between groups, and we have also learned that friendship can also develop among peoples and nations. This friendship can be eroded from time to time, it can also be restarted and built up. Having many friends is of great value to a nation."

It has become a beautiful tradition that, beginning with the day named after the victory and under patronage of the National Peace Council, we have a month dedicated to peace and friendship. Let me remind you of another tradition which by chance coincided with this beginning: the valedictory parade of our 18 year old children. They finished their high school studies, they are loaded with flowers, filled with hope, aspirations and, at the same time, they are also watching us because their future life path also depends on how many times, how many ten times, hundred times, thousand times can humanity and, within it, the Hungarian nation commemorate peace and friendship.

We recall the heroes, the martyrs, the dead of World War II. We remember the heroes with respect and appreciation be they Soviet people, citizens of the United States of America, Europeans or Asians, Hungarians or Rumanians. In the war, the joint struggle against the "brown plague," the sons of so many nations bled that it would be a pity to forget the common lesson: in the face of danger, the rallying and joint action of honest people with integrity is the source of victory.

Let us also recall the martyrs who suffered through, had been the victims of the fascist suppression and finally were sent en masse to their death. It is painful to all of us that the history of mankind also had such a dark age when millions perished as victims of fascist barbarism.

And let us also recall the victims. Hungarian and other families are still carrying wounds, memories of those who disappeared, perished, who were victims even though perhaps some wind did pick them up for a moment. But in the end our entire nation became convinced that these victims can be charged to the

account of fascism. Their destruction was and is painful still, and thus they became part of our memories.

We say that there has been peace in Europe since 8 May 1945 and in the world since the middle of 1945. But we have not lived without war since! Our history is accompanied by a series of warlike conflicts, smaller or greater clashes. Some among these are born of some wild bias and hate, but there are others conducted by certain nations to defend their autonomy or gain their independence, their freedom. We can distinguish among these conflicts. We protest inhuman clashes and armed conflicts, and express our solidarity with forces and social movements which fight for their people, their country.

In our world pregnant with controversies, armed conflicts present a danger but the real danger is presented by the arms race. On the one hand, because the quantity and quality of the accumulated weapons is already by itself an irritating factor and, on the other hand, because it requires an enormous amount of intellectual, material and human resources. Therefore, we reject the arms race and our every proposal is aimed at halting it. The data are frightening: in our present day world, there are 85 physicians in contrast to 556 soldiers per 100,000 inhabitants; there are enough weapons in the world today to fight 6,000 Second World Wars. We can add, of course, that after the first one we wouldn't be able to count anyway whether enough arms are left for the next 5999 occasions. The desperate cry of Mihaly Babits: "Let there be peace right now, let it end right now!" referred directly to the war, but today we justly apply it to the arms race adding that there should be peace right now, one built on human consciousness.

Today's international situation does carry hope. Within the last year or two, there has not been a breakthrough in the international situation, however, there has been significant improvement. An improvement which calls to mind the experiences of the thaw, it even builds on them and carries the possibility for the realization of peaceful coexistence. Ever since Reykjavik, there has been more trust and hope in us and it appears now that an agreement may be reached on the dismantling of medium range missiles. We consider it extremely important that an agreement be reached in this area between the Soviet Union and the United States and that it be signed.

In formulating the peace program of the socialist countries, an outstanding role is played by the joint resolve of the government of the Soviet Union and the Warsaw Pact nations. This program spelled out the need for a world free of atomic weapons by the turn of the millennium. It is worth while to live, work and negotiate for it and anyone who disagrees with this program will be opposing not only himself and his nation but humanity as a whole.

Special attention is turned toward Europe because it is the most endangered continent. But perhaps there is also a greater wealth of hope there than on other continents because it is inhabited by politically sophisticated, experienced peoples and a widely branching system of relations has already developed. In Europe there exists the agreement regulating cooperation, as the joint document signed in Helsinki, and the system of follow-up conferences has been in effect ever since with newer and newer results.

In Europe, the spirit of common Europeanism, I could also say solidarity, is alive. Western Europe cannot exist without Eastern Europe and Eastern Europe cannot achieve peace without the cooperation of Western Europe. Therefore, we must find, and we are always searching for the possibility to build a common Europeanism in the form of political, economic, cultural and social relationships, a solidarity which could benefit humanity as a whole. Therefore, disarmament poses a special problem for the diplomacy of the socialist countries.

We cannot agree with those whose current thought is that some independent Western European atomic striking force should be established. They ought to understand that the fate of Europe depends not on an independent atomic striking force but on independent policy. Independent policy can in turn be built on understanding, mutual security and mutual trust.

With respect to these fundamental problems, we are open and unequivocally ready for agreement. Those who doubt the soundness of our intentions should observe and study what is happening in our countries. They should observe the process which evolved in the Soviet Union, the renewal and transformation which rouses the creative forces of the entire society and inspires newer and greater creations. Why would this endanger others? We need, all of us, there in the Soviet Union and also here in Hungary, all of our intellectual treasures, all of our material goods and international peace for creation--and nothing else. We identify ourselves with the process evolved by the Communist Party of the Soviet Union because it also supports the flexible peace policy and diplomatic activity which surprises us almost daily with some new, pleasant initiative. That is why Soviet policy is followed with full attention on our part--and we hope also by the well-meaning peoples of the world. The Chinese process is also worthy of attention. There are things that we do differently and some things they do differently. But the fact that they gave up the thesis of war being inevitable and they gave up the possibility of a strategic alliance between the Chinese People's Republic and the United States of America, has already lightened and eased the fate and burdens of people fighting and working for peace. We wish them that the internal process serving the renewal of socialism be successful. And reform was also started in several other socialist countries, one way or another. It is a problem for all of us what kind of planned management, what kind of market we should have. We wish to undergo renewal, want to grow and develop.

I recently talked to a compatriot living in Switzerland who remained loyal to his country. He said that he has been in Hungary only for a week but within that time he experienced more, much more had happened than within a year in Switzerland. In its own way this also says something. It says that there is debate and looking for a way out, and mostly that, even amidst problems and apprehensions, our public opinion is spelling out the demand for development, with confidence and full with expectations.

How should we use the possibilities? I consider it a fundamental condition that the Central Committee of our Party, building on the goals spelled out at the XIII Congress and the experiences of the past two years, should develop a definite program for development. It does indeed plan to do so. It decided that it will develop the action program for economic and social development

stipulating that the government--with the necessary autonomy and responsibility--should follow it with an action program.

But progress also has an other, very important condition. It is the need for internal peace, the requirement for social stability. It is inevitable, in a society in motion, that people work while they think and give expression to their opinions. We agree with that. Even programs might be born since no one is forbidden to put the results of his thinking into some kind of proposal.

Nevertheless, I should caution about one thing. We have already stated it repeatedly, in September 1980, in Parliament by Comrade Janos Kadar: we had already fought our great battles and we do not wish to polarize the internal condition of society. We need peace in our society based on joint action carried out in the interest of achieving a common agreement and a common program. Forces which attempt to pull our wagon in some other direction are of no danger to us. We are not afraid of them but will tell them that their action is irresponsible toward the nation. For us, the means for getting through every problem and trouble are thoughtfulness, and national unity and unified action according to a program evolved as a result of our thinking.

Whoever would disrupt this common agreement by creating tension, with personal remarks and accusations, raises his hands against the nation irrespective of his eventual good intentions. We do not need fistfights but dialogues, discussions and agreements. The nation has sufficient intellectual resources and strenghts so that, by joining forces, we can again provide an example for solving social and economic problems, for further developing the socialist program, and for advancing the reform process. And let me add that this country and also this party should be proud that it was the first to introduce reform thinking and the reform process into the program, the thought and the social practice of the building of socialism, and the nation did this in the interest of building socialist Hungary.

In my judgment, Hungarian society needs greater internal solidarity. So far only in the area of sports and sport spectatorship has a phenomenon cropped up which it would be a pity to tolerate but above all it would be a pity to permit it to appear also in other areas. These days, much that is written deals with people instead of views: reporters are attacked by sportsmen and sports leaders, writers by reporters, sportsmen by writers, etc. Let it be alien to us to judge the activities of some sport referees or sport managers in an extreme manner and let us not use uncultured expressions. There is no place in our public life for personal crudities and we should have enough dignity to turn away from them. But unfortunately, fewer copies of Janor Arany are being sold than the endless list of sport books engaged in personal affronts. And thousands and tens of thousands grow up with them, influencing their thought processes. Why do I mention it? Because this style can also seep into other areas of social life and at the end we shall solemnly lecture about peace in Parliament while on the street we use obnoxious adjectives in talking to each other. This is foreign to our public life and to our society.

It is part of our societal stability, inner peace, national unity and common agreement that we esteem each other even when we don't agree in everything with each other. Let us go not after the individuals but after the ball, and



this should apply in every field. In other words, our approach should be and should remain such that it promotes and serves building, cooperation, understanding, dialogue and the joining of forces. This can be the good background for the peace work of the National Peace Council as well.

It is also in this spirit that I recall the movement of the Communist Youth League named "Action is Our Future!" Many adults received it with diffidence: what is this "Action is Our Future!"? But why should not every Hungarian youth have action as his future? Have we completely, accurately and permanently built the edifice of the nation? We did not do it completely, accurately and permanently. There is need for correction and also for alteration. Let's call on the youth to understand this. And let us, members of the older age groups, understand that the "Action is Our Future!" movement can be the great contribution by Hungarian youth toward the achievement of our national goals.

What do we want and what don't we? We don't want to fight--we want to debate! We don't want to destroy--we should like to build! We don't want to hate--we wish to make friends! And we don't want to divide--but rather to collaborate. I think there is sufficient strength in this party and in this nation, including every movement, to be able to achieve these, in part also by rejecting that which it cannot accept.

Here in Central Europe, we live in an area where we received many burdens and many values through our common history. Here, not a single nation's history can be separated from the others, they converge, are intertwined and cannot be separated even with a razor's edge. There are, of course, events which are of purely national character and there are events which are naturally of international significance. It would be good if we would study and write the international ones jointly. And even today much of our fate is common. Not last, we are tied to each other in that socialism, which is an international idea with respect to its content, is being achieved within national frameworks. We are troubled, it outright hurts us, and definitely does not bring us joy, that matters do not always turn out according to our aspirations in this respect.

Everyone must know that we have no territorial demands. We consider the European borders inviolate not only because we had signed the Helsinki document but also because it is our inner conviction that the borders in Europe are inviolate. Good-natured neighbourliness is needed even if our social systems are different but especially where our social endeavors and goals are identical.

Therefore, we look at borders not as dividers but connectors: they do not close off the relationship among the countries but open them up. Here we include that it belongs to human dignity that people not be forced to deny their mother tongue, that they be allowed to retain the national character of their culture unequivocally while it is their honorable duty to be faithful to their given country. These are our thoughts about these matters and, in our judgement, if we consider these while we build our relations then we shall get past the unnecessary or sometimes perhaps useful debates. We can make progress only through a common will and the adaptation of both parties to where we can

achieve that every national group can realize its "deserved dominion" as expressed by Mihaly Vaci in one of his beautiful poems. In his poem entitled "Since Then" he wrote:

On the eight of May 1945 the Second World War was ended.  
A new calendar was introduced.  
The epoch of world peace was declared.  
And they started immediately.

-----  
And since then we have kept starting anew,  
conspirators for the good of all,  
to refute this history,  
and to raise something in the defense of humanity."

What can we raise in our own "defense"? Ourselves, our good will, our determination, our actions, our organization and our national consensus, that is peace and friendships.

2473  
CSO 2500/418

## COLUMNIST ATTACKS OPPOSITION LEADER KURON IN PZPR DAILY

Warsaw TRYBUNA LUDU in Polish 25-26 Jul 87 p 3

[Article by Jerzy Lobman: "We Are Plowing"]

[Text] The echoes had yet faded from Radio Free Europe's crushing critique, "output of the second cycle" (TRYBUNA LUDU No 156 of 7 July 1987), when the BBC's Polish-language broadcast announced the bankruptcy of the so-called underground opposition. And this from the lips of Jacek Kuron himself, who chose to "grant an interview" to the London radio station.

The veteran of anti-socialist battles informed the interviewer that "we are dealing with a completely new situation qualitatively." That the "new trade unions...are speaking with a voice that...is a representation of the real interests of workers." That "the press (the regime's---JL) has begun to write almost the truth and, in some areas, the outright truth," etc. In Kuron's opinion, "even fines are very moderate, and rarely used anyway."

Of course Kuron tries to "save face" with these "almosts," "somes" and so on, but most of all by persuading the interviewer that everything positive that takes place in Poland is his work and the work of his pals.

Kuron recommends "playing three pianos." The position: "everything or nothing" or "dialogue" or finally "a policy of accomplished facts." He even officially detaches himself meekly from that "everything or nothing," admitting that "today one cannot really operate like that." But he also says that the opportunity for both "dialogue" and "accomplished facts" are "at an impasse." And so only "everything or nothing" remains.

Of course Kuron does not mention that dialogues of all kinds are evolving without him or that he and those like him did not want dialogue in the first place, only a dictate, and later they could not carry on dialogue because they represent no one. He also does not mention that this policy of accomplished facts has gone bankrupt because its creators underestimated both society's intelligence and the government abilities. That is not important to them, after all. What is important is that that militant challenge remains. Despite everything. Despite the bankruptcy that he himself admits and embodies.

And because neither strength nor opportunity remain for great struggles, Kuron, in the same interview, makes an attempt to work in this "qualitatively new situation." He turns suddenly to a discussion of participants in economic and local self-management. Among them are people who once were fooled by Kuron's underground, yet today they operate normally, like all citizens, where the community temperament commands them. What does Kuron say about this? He says, "They are entering into spheres of social initiatives, they are working. And they have the correct feeling that...they are implementing Solidarity's programs."

People have convinced themselves, wherever they could, to work effectively and they are working. The government told them long ago that it is not asking where they come from, only where they are going, and it evaluates them according to their work and attitude. Yet Kuron avers with quiet insinuation that "they are doing our work." Our work for the underground. This is the new weapon in Kuron's war. Perhaps it will be possible somewhere to undermine confidence, disturb it, impair it. Or at least put the honest work of others into one's own account.

But it is funny that Kuron, coming out as a spokesman for the "underground," takes credit for so many of the "regime's" contributions.

The old fable tells how a fly landed on a ox's horn and cried, "We are plowing!" But in this case it is not a housefly but a gadfly who not only has nothing to offer but, on the contrary, interrupts the work as much as possible with harmless but annoying stings. In this situation those shouts that accompany the testimony of bankruptcy are not just ridiculous presumptuousness. They are megalomaniac cynicism.

12776

CSO:2600/745

## LOCAL PARTY OFFICIAL ON CONTACTS WITH USSR

Warsaw ZYCIE WARSZAWY in Polish 29 Jul 87 pp 1,2

[Interview with Jerzy Szypek, secretary of the PZPR Voivodship Committee in Czestochowa, by Janusz Plowecki]

[Text] [Question] For many years Czestochowa voivodship has been maintaining a particularly close relationship, based on fraternal cooperation, with Smolensk oblast in the USSR. In both of our countries, a process of great acceleration is underway: in the Soviet Union, the program of the 27th CPSU Congress is being implemented, and in Poland--the program of the 10th PZPR Congress. This is, so to say, a common denominator which favors further, more comprehensive development of the relationship between the two administrative units.

[Answer] This is essentially the case. At the first stage, cooperation and exchange of experience proceeded mainly at the level of voivodship committees and regional authorities of state administration, whereas now they are increasingly shifting into the sphere of a genuine partnership exchange of experience among individual organizations and enterprises, with full respect for the political fundamentals. In a word, new elements of cooperation, very valuable for both parties, are being created.

[Question] Could you cite several specific examples of such cooperation?

[Answer] Of course. For example, trade unions are increasingly taking part in it. What I mean is not exclusively the exchange of delegations and functionaries, but also using in our own domain the forms of labor organization which have proven themselves in practice, especially in industry and construction. We are also interested in the brigade system and the experience accumulated in this matter. The Soviet side is also taking interest in our employee self-government.

Should we go to more specific examples? Here we go: our textile enterprise "Ceba," a producer of stoned denim renowned in our country, signed a cooperation agreement with the Iartsevsk Cotton Combine. As I have learned, the Silesian Flax Industry Enterprise in Lubliniec is very satisfied with the sharing of experience with the Flax Combine in Smolensk. The Agricultural and Food-Processing Combine in Szczekociny is likewise happy with the cooperation

with the "Red Volunteer" collective farm. Our colleges have also established contacts with the Soviet partners--the Technical University of Czestochowa with the branch of the Energy Institute of Moscow in Smolensk, and the Higher Pedagogical School with the Karl Marx Pedagogical Institute.

As we have stressed several times in our documents, both sides attach great importance to the exchange of children and youth during vacations. Every year about 150 girls and boys from our area spend their vacations in Smolensk oblast, getting acquainted with its scenery and places of interest. We receive as guests an equal number of young pioneers from Smolensk in scout camps located in the most beautiful areas of the Jurassic Mountains, between Krakow and Czestochowa. Thus, friendships develop not only among the adults, but also among the young. They are carried on through correspondence which lasts for years.

The exchange of cultural collectives, athletic teams etc. also serves to promote the development of our partnership. In a word, our cooperation is increasingly embracing all fields of economic, social and cultural life.

[Question] As we know, Czestochowa voivodship is sponsoring this year--for the first time--the "Days of Smolensk" in conjunction with the celebration of the 70th anniversary of the Great October Socialist Revolution.

[Answer] As I have mentioned, our cooperation is expanding. It is also assuming new forms. Among other things, the "Days of Smolensk" are exactly such a form. We scheduled them for September 1987. They will provide an occasion for presenting to the populace of our region the numerous achievements of the Smolensk area in all spheres of life. The forms of this presentation are going to be varied. Photo exhibitions, lectures, shows by performing arts collectives both professional and amateur and art exhibits will be included. The organizational board for this event, consisting mainly of TPPR [Polish-Soviet Friendship Association] functionaries, is taking care to make the event as attractive as possible. Thus, there are plans to open a restaurant with specialties from the Smolensk cuisine for the duration of the "Days" and organize sales of goods produced in the Soviet Union, mainly by the enterprises of Smolensk oblast. We know that our Soviet friends are, in their turn, preparing to organize the "Czestochowa Days." I believe their program will be equally interesting.

[Question] Therefore, we may expect that cooperation and exchange of experience will continue to expand.

[Answer] We are making good progress. As we know, our trade organizations, and in this instance primarily the PWSS [Enterprise of the Voivodship Consumers' Cooperative] "Spolem," are soliciting contracts for bartering goods with the retail trade organizations of Smolensk. We have had such exchanges with the Bulgarians and Hungarians to the satisfaction of both sides. Therefore, we can expect the Soviet side to join the exchange of goods in this fashion.

Cooperation between our light and foodstuffs industry enterprises and their Smolensk counterparts has been growing stronger for years. Its scope has been

widening. We can see not only the sharing of experience on technology and labor organization, but increasingly the sharing of experience in the sphere of industrial management.

I believe that great opportunities exist for cooperation between the scientific communities of both partners in the area of technology as well as humanities. However, in this case, as in any other, a lot depends on the current interests of partners and their initiative.

For example, the Automobile Equipment Plant "Polmo" in Praszka, which has for years cooperated with the KAMAZ Truck Plant delivering excellent braking systems for Soviet heavy vehicles, has already established its first contact with the Roslavl' Car Assemblies Plant. As it turns out, it is also one of the main contractors of the KAMAZ. Therefore, we can expect interesting results from cooperation on improving the technology of production at both plants.

I believe that the preparatory period for celebrating the 70th anniversary of the Great October Socialist Revolution provides a good climate for promoting the above initiatives. Delegations will be exchanged in conjunction with this historic anniversary and related observances. This will present yet another occasion not only to draw a balance sheet of 12 years of cooperation but also to make further resolutions concerning its development.

9761

CSO:2600/744

## PUBLIC OPINION POLL ON REACTIONS TO POPE'S VISIT

Warsaw TRYBUNA LUDU in Polish 23 Jul 87 p 7

[Text] Following the visit of John Paul II to our country, the Public Opinion Research Main Center [CBOS] and the Polish Radio and Television's Public Opinion Research Center [OBOP] conducted surveys in which interest in the course of the papal pilgrimage and opinions about its consequences were studied. CBOS' survey included a representative group of adult residents of the eight provinces through which the route of the pope's visit ran, while OBOP's research covered a nationwide representative sample of the population over 5 years old and a randomly chosen sampling of Warsaw residents. Here are some of the most important results.

Some 45.8 percent of CBOS's respondents followed the course of the visit with particular attention, 38.6 percent moderately attentively and 13.3 percent read or heard news on the subject. For these the main source of information about John Paul II's visit was television, which 73 percent of the respondents watched regularly.

According to OBOP's survey, 76 percent of those surveyed watched the TV broadcast, the mass at the Church of All Saints in Warsaw, 75 percent John Paul II's farewell at Okecie Airport, 72 percent the mass at Defilada Square. Some 68 percent of the respondents watched direct Polish TV reports of both the pope's reception in Warsaw and his meeting with Wojciech Jaruzelski at the Royal Castle.

Seventy percent of CBOS's respondents listened to speeches given by W. Jaruzelski and John Paul II at the castle or read the text of the speeches in the press the following day. In the opinion of 72 percent of those familiar with the speeches, both speakers said what should have been said about issues important to Poles.

In the opinion of 76.5 percent of CBOS's respondents, state authorities "did everything necessary to ensure appropriate conditions for the papal visit." In the opinion of 6.9 percent they "did less than necessary" and in the opinion of 6 percent they "devoted too much attention to the visit." Every tenth person surveyed (10.5 percent) had not formed an opinion on this issue.



Some 89.3 percent of the respondents assessed positively the action of church security services and 81.4 percent viewed as good or very good the work of Civil Militia and ORMO officials who handled public order during John Paul II's visit. The medical and sanitary services received marks of very good or good from 82.9 percent of the respondents; transportation 64.6 percent and catering (supplying food and beverages) 62.7 percent.

Two-thirds of CBOS's survey participants (67 percent) felt that the course of the visit was unnecessarily disturbed by attempts at political demonstrations. Respondents' criticism of the organizers of these attempts was often related to the conviction that these incidents had no major social or political significance. Almost half of those surveyed (48.2 percent) shared the opinion that they "were ordinary hooligan's pranks"; in the opinion of 36.8 percent they "were nothing important." In the opinion of 31.7 percent of the respondents, they "should be severely punished."

As if apparent from the CBOS survey, more than two-thirds of the people (69.8 percent) feel that the Polish media devoted sufficient attention to the pope's visit. In the opinion of 18.8 percent, too little was said about it and in the opinion of 4.5 percent of those questioned, too much.

The work of television was judged highly in comparison to the pope's previous visit to Poland. Eighty-three percent of OBOP's respondents (compared to 61 percent four years ago) saw Polish TV's "papal" reports as very good or good. Mentioned was the large number of live broadcasts; they were seen as "extensive and accurate, adding an atmosphere of solemnity with the pope's participation." The good quality of the television transmission was emphasized.

Asked about the anticipated consequences of John Paul II's visit, participants in CBOS' survey were of the opinion that it produced increased world interest in Poland (85.6 percent), that it will produce an increase of religious feeling in society (78 percent), have a beneficial effect on church-state relations (75.2 percent) and produce an intensification of patriotic feelings (67.2 percent); it was noted that the visit will speed up understanding among the majority of Poles in important matters (59.5 percent). In the light of these opinions, one can presume that the pope's visit to our country was seen mainly as a religious and patriotic experience.

In response to the question of what John Paul II's visit would bring to the country and society, 85 percent of OBOP's respondents expressed various hopes and expectations regarding its effects, noting that an improvement in church-state relations will occur, national understanding will intensify, there will be more calm and stability in Poland, tension will diminish, Poland's importance in the international arena will increase, society's moral position will improve, people will be better to each other, more understanding and increase in religious feeling will take place and people will live in a better frame of mind.

Mentioned less often were such effect of the pope's visit as an improvement in the quality of work in Poland, an increase in confidence in the government and a decrease in drunkenness.

## COMMENTARY ON OLIVER NORTH AFFAIR

Warsaw TRYBUNA LUDU in Polish 23 Jul 87 p 5

[Article by Zygmunt Broniarek: "How Did Lt. Col. North Become a Hero?"; passages in slantlines printed in boldface]

[Text] /On the last day of Lt. Col. Oliver L. North's testimony, Tuesday, 14 July, a press conference was held in the office building of the House of Representatives. It was called by American organizations of the extreme right--the American Security Council, Coalition for America, Concerned Women for America, Conservative Political Action Committee./

/The chairman of the last organization, L. Brent Bozell, took the floor. It was obvious that he heaped praise on North. It was obvious that he saw North as "the American hero." However, he went beyond that: he demanded that North be reinstated in the National Security Council./ He was seconded by the Republican congressman from California, Robert K. Dornan. Playing on the connotation of "North" as a geographical direction, he proclaimed "I am a North American," meaning "a resident of North America" and "an American for North."

"A Lonely Cowboy"

Having heard these statements combined with the testimony of the lieutenant-colonel himself, one cannot but get the impression that /in this instance, we are dealing with a campaign aimed at changing the attitude of the American society by 180 degrees: from opposition to Contra aid to support for this aid./ North himself is instrumental in this operation. However, he also enjoys the support of forces which were lying low, but which, as a result of the Iran-Contra affair, are now again assuming a higher profile.

In his testimony to the joint committees of the Senate and the House of Representatives, North opted for tactics consisting of three elements: to protect the President as much as possible, to present himself as a "pure patriot" and to compromise the Congress. Striving to achieve his goals, North skillfully used his personality and obvious talents of an actor.

He was calm and composed; he carried on quite naturally in front of the camera; he appeared with his wife who looked like a simple and unassuming

woman; he wore a uniform with medal ribbons on. First and foremost, he exploited to the hilt and... reinforced the anticommunism which is deeply rooted and tirelessly promoted among the Americans.

/The tactics of North were based on creating a contrast between himself and the Congress. The Congress [was presented as] a "debating society" which has no knowledge of the "real world" and especially "the true nature of communism." He [was presented] as a man of action who combats communism where it counts--"in the field." He is like a lonely cowboy from the times of the Wild West who deals with evil single-handedly, resorting to no law and no court. He is like Rambo./

#### The New "Amerika" Serial

North's anticommunism, apparent throughout his testimony, especially came to the fore on the last day. North discussed his presentations made over the last 2 to 3 years at the meetings with rich people which he set up himself in order to talk them into privately financing the Contras. During these meetings, North showed slides the content of which he described to the Congressional committees. What does this content boil down to? /To scaring the Americans with the forthcoming loss of their "freedom" inside the United States if they fail to counter "communism in Nicaragua." In other words, this was North's version of the serial "Amerika."/

/The response of congressional commissions questioning North merits detailed analysis. To be sure, Chairman of the Commission of the House of Representatives Lee Hamilton said: "I cannot see how your actions can be constitutional." To be sure, Chairman of the Senate Commission Daniel K. Inouye referred to the Nuremberg Tribunal to show that North had a duty not to carry out illegal orders. However, the very same Hamilton stated: "I agree with you that our government must have a covert operation capability. Over the 6 years of my service on the Intelligence Committee of the House of Representatives, we have approved and supported 90 percent of the operations recommended by the President." During the testimony, some pronouncements were even made which revealed a desire to curry favor with North and even have him give a patriot's endorsement. Democratic Senator George J. Mitchell said: "Of all the qualities which the American people find compelling about you, none is more impressive than your obvious deep devotion to this country. Please remember that others share this devotion, and recognize that it is possible for an American to disagree with you on aid to the Contras and still love God, and still love this country as much as you do."

#### "Freaks of Nature?"

North's testimony pointed up an essential element of the system of governing in the US, which also became apparent in the Watergate affair. /In both cases, there was and still is the intention to present these cases as isolated "freaks of nature," which in no way reflect on the perfect [political] system./ Moreover, emphasizing the process of /disclosure/ itself is designed to further convince the populace that the system is perfect. /However, this does not address the basic problem./ At the time of the Watergate affair it was said that its disclosure should create conditions under which a similar

affair could not occur again. Therefore, why has it happened again and, as many say, on a much greater scale than the previous one? Does it not follow from the very essence of the [political] system prevalent in the USA, that is to say from /combining anticommunism with the profit motive of the military-industrial complex which could not exist, operate and develop in the absence of the anticommunist scarecrow?/ This is complemented by the particular features of the Reagan administration and its exceptional conviction that the US has a messianic role to play and, in the specific case of Nicaragua, its obsessive desire to destroy "the communist foothold in Central America" at any cost.

What is next? Can North's popularity be translated into Contra popularity? John Linder, the brother of the American engineer Benjamin murdered by the Contras, told me in a telephone interview: "North's popularity is temporary. The machinery of brainwashing using the fascination of Americans with the personal traits of the players is at work here. Meanwhile, as far as the basic issue is concerned--not only the Contra aid, but the entire set of issues of "secret government," violations of the constitution, lying to the American people--a majority of Americans are resolutely speaking out against that. The people know that they are being lied to and that the Congress is being lied to. They also know that approval for the policy which was reflected in North's actions came from the highest levels. The American people are drawing conclusions from that. I believe in their healthy instinct."

9761

CSO:2600/744

## COMMENTARY DEFENDS TOURISTS TRADING IN EUROPE

Warsaw PRZEGLAD TYGODNIOWY in Polish 2 Aug 87 p 16

[Article by Jerzy Jurowski: "Why Don't They Want Us?"]

[Text] The number of annoyances with regard to our tourists going abroad this year is growing like an avalanche and approaching the critical point where any kind of trip will be impossible. Discrimination applies in all geographic directions and is already starting in Warsaw, where some consulates are requiring special documents before granting visas. In addition, it turns out that very often on the border of the country of destination, a local official can forbid entry with no avenue of appeal to a traveler holding a legitimate visa. After the crossing the border he still cannot breathe easily. At any moment there can be new surprises in the form of searches or deportations, about which our daily press warns us faithfully.

Discriminatory, annoying deeds befall us everywhere. From Malmoe and Chicago to New Delhi and Szeged. Making a list of countries to which one can get a visa with no problem, come and go without a hitch, without paying "guarantee duty in convertible currency," perhaps find odd jobs and not be pursued by border, state and tax police, would be of great value but I do not know if it would even be possible. It is surely worth asking why this happens and why the citizens of many countries of the world can travel everywhere happily and without stress while Poles are treated in a prejudicial way.

At the outset I am compelled to reject the argument about our citizens carrying on some enormous, dishonest trade or their threat to the job market in countries with structural unemployment. The millions of Mexicans, refugees from Asia or "guest workers" from Southern Europe, the Mideast or Africa may be a threat to the social security of the US, Sweden, France or West Germany, but not a few thousand Poles who come mainly on vacation in order to work at seasonal, low-paying jobs. They do not use the social service system, nor do they burden the so-called infrastructure. They are not a drain on the state or the taxpayers and their influence on wage rates is marginal. And as far as trade is concerned, that is an even more ridiculous argument. As a longtime resident of Zakopane I have had the opportunity to notice that the citizens of at least a few countries lying to the south of Poland treated and still treat

private foreign trade as their main, favorite pastime; yet now, after their travel restrictions have been tightened, one simply sees fewer of them, which does not mean that sales have plummeted.

Yet everyone whoever traveled the roads of Europe from the English Channel to the Bosphorus knows that the millions of tourists moving through this area (of which Poles comprise a minimal percentage) are carrying in the trunks of their cars and inside their luggage hundreds of millions of tons of goods of all kinds. Contrary to their declarations and customs regulations. A vast industry and a gigantic network of trade have emerged specifically in order to furnish them with everything one can imagine.

How then should one interpret or explain the growing psychosis, mutual accusations about destruction of the market, finicky customs inspections and other monitoring in--conventionally speaking--the "European convertible currency zone."

The answer lies squarely in the economic sphere. As long as a Pole traveling abroad does not have an adequate supply of money that all banks of the world can exchange at the official rate with a kiss of the hand, one can only expect further impediments and tightening of restrictions. All this trading, against which the guns have been rolled out recently, is pitiful. But as long as there are not enough Czech lemon drops or Turkish blouses on our market or cheap irons, dryers and linens in neighboring countries, then according to all the rules of classical economics, the exchange of goods for goods will endure as in the pre-feudal era. As long as the willing citizens of the countries to which we travel are unable to buy an airplane or train ticket and come here comfortably--as is the case elsewhere--there will always be a market for the various novelties that turn up every day at the Rozycki Bazaar.

Because the economy, including the European economy, is a system of connected vessels. If the pipes get clogged administratively, sooner or later a "second cycle" will appear and the battle against it will lead to even worse consequences, because it will be activity of a scandalous kind: huge economic gangs corrupting various levels of customs and administrative authority. This is an fundamental part of the economic history of the world.

And what is the "peculiar Polish characteristic" in this? Well, we are a country in which there is an exceptionally acute discrepancy between the relative freedom and desire to travel and the amount of financial resources allocated for that purpose. One could justify this by way of the crisis, the decrease in the zloty's value, its continual devaluation, etc. But never, not even during the best period of the 1970s, when our store shelves looked positively impressive, was the zloty a currency sought by foreign banks, and citizens did not have the opportunity to spent it freely abroad.

So we are constantly on a downward slide and despite the presentation of Prof Baka's program to restore our currency, our tourists should consider the possibility of more far-reaching malice in coming years.

12776

CSO: 2600/745

## BRIEFS

CULTURAL CONTACTS WITH USSR--Deputy Head of the PZPR CC Department of Culture Mirosław Slowikowski sojourned in the capital of the USSR. He held talks with First Deputy Head of the CPSU CC Department of Culture Evgenii Zaitsev, Deputy Ministers of Culture Mikhail Gribanov and Vladislav Kazenin, Chairman of the USSR State Committee for Cinema Aleksandr Kamshalov and First Secretary of the Board of the Union of the Movie Industry of the USSR Elem Klimov. Current issues related to carrying out the declaration on Polish--Soviet cooperation in the field of ideology, science and culture, and the progress of preparations for the Polish song festival in Vitebsk, the festival of Polish plays and the music festival in the USSR were reviewed. These festivals will be held in the years to come. They will provide an occasion for a broad presentation of the latest Polish achievements in individual arts to the Soviet populace. The issues of cooperation between the movie industries and artists of both countries were also discussed. [Text] [Warsaw TRYBUNA LUDU in Polish 25-26 Jul 87 p 10] 9761

JOINT PUBLISHING VENTURE WITH USSR--Chairman of the RSW "Prasa-Książka-Ruch" [The Workers' Publishing Cooperative "The Press--The Book--The Movement"] Wiesław Rydygier sojourned in the USSR. In Alma-Ata, he took part in opening an exhibition of the press, books and records published by the RSW. In Moscow, he held talks with Chairman of the USSR State Committee for Publishing, Printing and the Book Trade Mikhail Nenashev. Issues of bilateral cooperation were discussed; it was observed that agreements and contracts should be strictly adhered to. Also, W. Rydygier and M. Nenashev signed a protocol on the guidelines for setting up a joint Polish-Soviet publishing and printing enterprise. [Text] [Warsaw TRYBUNA LUDU in Polish 25-26 Jul 87 p 10] 9761

MLYNCZAK IN SYRIA--Deputy Chairman of the Council of State, Chairman of SD [Democratic Party] CC Tadeusz Witold Mlynczak, who is sojourning in Syria, met on Wednesday with Deputy Chairman of the Popular Progressive Front, Vice President of Syria Zuheir Masharka. He informed the vice president about the place and role of the Democratic Party in the political life of Poland and discussed the economic situation in our country and the role small-scale production enterprises have to play at the second stage of the economic reform, the guidelines for setting up enterprises with [foreign] capital participation and operation of Polonia companies. [Text] [Warsaw RZECZPOSPOLITA in Polish 30 Jul 87 p 7] 9761

POLITICAL TALKS WITH FINLAND--On 27 and 28 July, Polish-Finnish political consultations were held in Helsinki, with Deputy Foreign Ministers Tadeusz Olechowski and Klaus Tornudd participating. The bilateral relations in their entirety and prospects for their development were reviewed. Opinions were exchanged about the most significant issues of the current international situation, with emphasis on the matters of disarmament, security and cooperation in Europe. Specifically, the latest memorandum of the government of the PRP on arms reductions and confidence building in Europe was discussed. [Text] [Warsaw RZECZPOSPOLITA in Polish 29 Jul 87 p 7] 9761

GLEMP MEETS WITH OZDOWSKI--Cardinal Jozef Glemp, primate of Poland and archbishop metropolitan of Gniezno and Warsaw, met with Jerzy Ozdowski, deputy speaker of the Sejm, on 24 July. The subject of the discussion was problems of lay Catholics in Poland in light of the planned bishops' synod in Rome, which will deliberate this October on the vocations and missions of the laity in the church and the world. [Text] [Warsaw ZYCIE WARSZAWY in Polish 25-26 Jul 87 p 22] 12776

CATHOLIC PRESS REPRESENTATIVES MEET--A meeting was held between Catholic associations and publishers--Catholic Intelligentsia Clubs in Warsaw, Lublin and Poznan, the Polish Catholic-Social Union, the Center for Social Documentation and Research and the WIEZ monthly--with the minister and director of the Office for Religious Affairs, Wladyslaw Loranc, and the deputy minister of Domestic Trade and Services, Marcin Nurowski. Agreed on were rules for future operation of the "Libella" enterprise and financing of the statutory activity of the Catholic associations and publishers who participated in the meeting. [Text] [Warsaw TRYBUNA LUDU in Polish 23 July 87 p 7] 12776

CSO:2600/745



## STATE'S ATTORNEY INTERVIEWED ON 'FAMILY PROTECTION' LAWS

Bucharest SCINTEIA in Romanian No 13,948 26 Jun 87 p 2

[Interview with Irina Negrescu, president of the Bucharest Municipality Court, by Sergiu Andon: "Protection of the Family and Children"; date and place not given]

[Text] There are truths that blend together so closely with daily life that their significance no longer comes as a surprise. Among them is the effort made by our party and state for improving and developing the entire nation, a natural result of the care for the continuing improvement of the quality of people's lives. This is an area which also includes the consistent concern for the enduring nature of the family, for the raising and formation of young people and for the well-being of future generations. Certainly, the measures taken by the party and state in these directions also envision other fundamental values such as the moral health of society, the happiness of each person, the flowering of the human personality and the hopes of the nation.

As a concern raised to the highest level of state policy, this fundamental aspect of the right to life and to family--the family with children--is consecrated even in "the law of laws," in the Constitution of the Socialist Republic of Romania:

Article 23: The state protects matrimony and the family and defends the interests of the mother and child.

It is understood, therefore, that the various economic, social, financial, cultural health and other measures that have been consistently applied by our state for the protection of the family, the mother and the child are also accompanied by a wide range of legal measures. We will deal with these in the interview conducted with comrade Irina Negrescu, the president of the Bucharest Municipality Court.

[Question] We ask that we start this interview with this constitutional statement: "The state protects matrimony and the family." What does this mean in a practical sense?

[Answer] It means that the family, as the basic cell of society, takes on--in addition to the authority given to it by morals, tradition and social awareness--the most important and certain system of protection, the legal one. It also means that the basic principles of the organization of our society--equal rights, personal liberty, prohibition of any form of exploitation or oppression and so forth--are also

expressly reflected in the legal status of the family. We know this ourselves from the regulations with which the Family Code begins: "The family is based upon the freely consented marriage between spouses" or "In the relations between spouses, as well as in the exercise of the rights regarding children, the man and the woman have equal rights." There are, however, states and systems in the world where such provisions are not understood.

[Question] Are we to understand that these principles have more than the role to mark the leap forward that has been produced in concept, into social awareness?

[Answer] Not just that. There is also a practical permanent application. Because from these principles we get another regulation which opens the Family Code and which is often kept in mind in the practice of applying the law: "Family relations," notes the Family Code, "are based on mutual friendship and affection between its members, who are duty bound to give each other moral and material support." I would say that this regulation constitutes the prism through which any litigious situation concerning a marriage is analyzed and reported.

[Question] Does this principled regulation refer to all members of the family or just to the husband and wife?

[Answer] It refers to all the members of the family, to the entire family atmosphere and to all aspects of assistance that can come up--and also between husband and wife. Certainly, the obligations to help children compared to parents depends upon the parents' needs and the age of the children. While the children are minors, they are under the care of the parents, as well as the authority of the parents, without which the process of education and formation would be hard to conceive.

[Question] Do these regulations also have a legal expression?

[Answer] Certainly, in Articles 1, 2, and 97 of the Family Code and in Article 101 of this law, which calls for: "The parents are duty bound to care for the child. They are obligated to raise the child, caring for its health and physical development, education, training and professional training in accordance with its abilities and the goals of the state, so as to make it of use to society."

[Question] What are the consequences if the parents or one of the parents violates these duties or exercises them in an incorrect or abusive manner?

[Answer] It is well for us to note that this legal regulation is not defended solely by means specific to the law, but also by the entire view and entire moral climate of our society. I would like to state that, according to the seriousness of the ignorance or violation of these regulations, there can also be a social intervention. This can take--and it does more frequently--simple and prompt forms by way of surrounding opinions--neighbors, friends, relatives, public organs, schools, other educational fora, management where the parents work and so forth--right up to direct legal intervention.

[Question] Who would promote direct legal intervention?

[Answer] Any person or social organ or the proper authority in any case.

[Question] What is exactly the "proper authority," a term frequently encountered in legal practice?

[Answer] It is an attribute of the people's council for being concerned--through the intermediary of a specialized organ which, in turn, appeals to support groups--with understanding and reporting all the problems dealing with protecting minors in this area.

[Question] In other words, it is not merely a ticket window dealing with placing the youngster with one or the other parent...

[Answer] ...and which speaks in most cases for the parents who live within the jurisdiction of the people's council! No, not at all, despite the fact that, in practice, this sometimes happens. Perhaps these organs are overtaken by events and perhaps the citizens are involved too little--by reporting certain situations or through their participation in carrying out social investigations--in the prompt exercise of the mentioned attributes.

[Question] The duties of raising and educating start, certainly, with providing for a daily existence, the daily bread so to speak. What is the legal basis for the obligation of the parents to take care of their minor children?

[Answer] Actually, one should not have to resort to a legal provision. Parental care stems from natural laws, from the depths of deep natural manifestations. But, the law is encompassing and is not limited to hopes of noble instincts. In this regard, Article 86 of the Family Code states: "The child, as long as it is a minor, has the right to support, whatever the needs might be in its situation."

[Question] And, how good this provision is, with the records of the courts being filled with cases like this much more than one would expect under this article! Why is this so?

[Answer] So it is. While most people have proven capable of the greatest sacrifices for their children, there still are individuals with distorted attitudes and mentalities profoundly contrary to the morals of our society. Such behavior is not something new under the sun. If you remember in the novel "Hoti" [Thieves] by Schiller, Karl Moor is the antithesis between the "affection" of the simplest type of a child and the indifference of a parent. Why do such distortions occur? In very many cases, in summary, they can be described by one word: egotism. By egotism and selfishness also understanding exaggerated ambition and an absurd desire of expression, in other words everything that is opposite of altruism, which we associate with affection and the warmth of family feelings.

Returning, however, to a strictly legal discussion let us remember some details, even if they are well known:

- the establishment by law of support obligations is done regardless of whether divorce actions are introduced and if divorce actions are introduced--concomitantly or separately from this action;

- the obligation for support is established in accordance with the parents' income and the needs of the children, which does not mean that the parents who do not have an income--especially when this occurs because of their lack of interest--are not obligated for support;

- changes can be requested in the amount of support whenever there are changes in the conditions that were taken into consideration by the court;

- the obligation continues after the child reaches the age of majority if the child is a student in day school, until age 25.

[Question] The pattern of certain parents to withdraw from this obligation for support is frequently expressed by the failure to make support payments for the children. What is the legal solution for these cases?

[Answer] As the name state child support payments indicate, this is a right of the child, which no one can renounce or use in some other way. The anomalies that are found in practice stem--in addition to ill-will on the part of some parents--from failure to understand the law by the other parent or from incorrect behavior on the part of certain office workers. The state child support payment is given to families where one or both parents are employed with a work contract of indeterminate length, as well as other persons in cases similar to this.

In principle, the state allocations for children is given to the parents. In cases where the just the wife is involved in the categories outlined by law, the allocation is given to her. In the case of divorced parents, as well as in the case of children outside of a marriage, the allocation payment is given to the parent which is caring for the child, while if the parent is in the categories of persons who receive allocations, the other parent is given the payment--if this parent meets the legal requirements. (In such cases, the allocation is paid by the unit where the child is being taken care of.)

In all cases, the authorized parent must come forth and present to the unit a simple request and copies of the child's birth certificate. In situations where the parent is divorced and receives the allocation but refuses to give it to the other parent (who has custody of the child), the parent with this behavior will be legally charged by a representative of the child involved in order to receive the monies due.

[Question] But what if the divorced mother who has custody of the child is remarried?

[Answer] Then the right to the allocation would be established according to the situation in the new family.

[Question] And, if the parents are in fact separated, but not divorced or if the divorce is not final?

[Answer] When the child is actually in the mother's care, this first of all must require the custody of the child to be given via legal means in order to request the allocation from the socialist unit which disburses it or from the husband who receives it.

[Question] In what other major ways does the legislation of our country intervene to protect the family, the mother and the child?

[Answer] In the area of work laws, health legislation, encouraging births and in other more detailed ways...

[Question] ...however, with regards to them we will have a future discussion.

8724

CSO: 2700/246

## OBJECTIONS TO HUNGARIAN 'HISTORY OF TRANSYLVANIA' RAISED

Bucharest MAGAZIN ISTORIC in Romanian No 7, Jul 87 pp 24-30

[Article by University Lecturer Dr Ion Ardeleanu, Dr Oliver Lustig, and University Lecturer Dr Mihai Fatu: "1940-1944: The Responsibility of the Horthyists for the Savage Reign of Terror in Northwestern Transylvania--Crimes Without Absolution"]

[Text] The suffering of the population in the northwestern part of Romania, occupied by the Horthyists between 1940-1944--suffering that began in the first moments of the violation of the country's border, through the fascist Vienna diktat imposed by Hitler's Germany and Mussolini's Italy, and lasted without letup until the days of liberation--exceeded all bounds. The majority Romanian population in northwestern Romania experienced the whole gamut of treacherous measures, methods, and actions that formed the savage Horthyist-fascist reign of terror, raised to the rank of a law: from deprivation of bourgeois-democratic rights and freedoms to expulsion from home areas; from torture to physical extermination; from individual murders to mass butchery.

## Deliberate Omissions, Gross Falsehoods

In the work "The History of Transylvania," published in Budapest, this period too, dominated by such a reign of terror without precedent as regards brutality, intensity, and number of victims, is presented--to the stupefaction and legitimate disgust of readers at all informed about the realities, not to mention those who were forced by fate to experience them directly--as an minor stage during which the occupiers provoked "various incidents," caused inhabitants to flee, and took some discriminatory steps.

The distorted presentation, with obvious attempts to whitewash the Horthyist reign of terror in the northwestern part of Romania occupied thanks to Hitler and Mussolini's "benevolence" toward Horthy's Hungary as a result of its attitude toward national socialism,<sup>1</sup> and the evasion of the truth about this period--the darkest in Transylvania's entire history--have a special significance with very serious implications. It is our firm belief, which we feel obliged to state openly, with complete clarity, that no one--least of all some historians--is permitted to hide from the present and future generations the truth about the crimes of the Horthyists, to try, in one way or another, to reduce their dimensions, to lessen the responsibility of the perpetrators.

Through neither the space used nor the depth of the analysis and the rigor of the evaluations did the authors accord the due importance to this stage (1940-1944) of maximum seriousness in the history of Transylvania; they deliberately omitted facts that demonstrate that the temporary occupation of northwestern Romania meant, in fact, the outbreak of the most horrible reign of terror and the continuation of it in every way and by every means--up to the liberation of this Romanian territory. It is clear that through the way in which this stage is evoked, through the deliberate omissions and the falsehoods presented, they are trying to lessen the Horthy regime's responsibility for the horrors committed, expressing at the same time a series of calumnies and slanders about the Romanian state of that time regarding its attitude toward its citizens of Hungarian and Jewish nationality in southern Transylvania.

From the outset, the authors try to accredit the idea that the Horthy government, through its head, Pal Teleki, "proclaimed with regard to the Romanians brotherly understanding and collaboration in a peaceful spirit."<sup>2</sup> However, even the authors, realizing that their assertion is downright absurd, hasten to note that this proclamation "was worthless" due to "its government and, particularly, the decisions of the authorities and due to the general tension of national hatred."<sup>3</sup> "The Vienna decision," they say later, "caused the Romanian nationalism to be even more hopeless and to be directed against the Hungarian population in southern Transylvania."<sup>4</sup>

It is clear that, by their assertions, the authors want to whitewash Pal Teleki and others at the top of the pyramid, letting it be understood that they, found in the highest posts in Hungary, did not promote, incite, and sponsor a brutal, terrorist, criminal policy toward the Romanians--for the obvious purpose of liquidating and eliminating them in order to provide predominant positions for the Hungarians and, thereby, to perpetuate the occupation of the invaded Romanian territory and to expand, at the auspicious moment, the aggression against Romania in order to again reach the crests of the Carpathians. The attempt of the authors of "The History of Transylvania" to lessen the Horthy regime's responsibilities is all the more surprising because it is impossible for them to not know that in the second half of September 1940, present together with Horthy in Cluj, Pal Teleki, responding to the Romanians who protested the reign of terror unleashed, the ruthless persecution that struck the Romanians in the cities and villages of northern Transylvania, and the murders that came one after another, told them derisively: "There is no wedding without stabbings"--letting it be understood, through this cynical metaphor, that the Hungarian "wedding" begun after the Vienna diktat naturally presupposed the shedding of Romanian blood.

#### A Monstrous Incitement to Crime

However, it is not a question here of absolving the person of Pal Teleki or others like him but of absolving the official policy, the Horthyist ideological doctrine which was the basis for the reign of terror unleashed and without which the crimes that followed, no matter how precisely they may be described, can seem incredible, especially to the younger generation. The truth is that these crimes--some of which will be noted below--were nothing but the materialization of the harmful nationalist, racist, and revisionist ideas constantly

propagated for 2 decades, from the moment that Horthy took power, and taken to extremes just before and during World War II. The pamphlet "Nincs Kegyelem" (Without Mercy), in which the entire Horthyist strategy and tactics for persecuting and eliminating the Romanians were laid out, appeared in Budapest back in 1939. The hero of Csaba Ducso's pamphlet, the Levente (a term with which the members of a Hungarian fascist organization were defined) Torday--the prototype of the anti-Romanian Horthyist terrorist--swears: "I will destroy every Vlach who comes my way! I will destroy all of them! Without mercy!... At night, I will set fire to the Vlach villages. I will put the whole population to fire and sword. I will poison the wells and kill the babies.... I will destroy each Vlach, and then there will be a single nationality in Transylvania too--the Hungarian nationality. My kin! My blood! My people!"<sup>5</sup>

As is known, this monstrous incitement to crime against the Romanians was published on the orders of Regent Horthy, as a guide for all Hungarian repressive forces against the Romanians in Transylvania. Reflecting on this Horthyist strategy of extermination, American journalist Milton Lehrer wrote: "Csaba Ducso...wants by all means to convince us that blood is thicker than water and that the Hungarians of today have inherited all the primitive qualities (sic!) of the Finno-Ugric race..., he erases the millennium of civilization and culture that separates our era from that of the invasion of the Hungarians, devoting a hymn of praise to the primitive and barbaric mentalities of their ancestors.... You ask dumbfoundedly how the Hungarian Government could sponsor such incitements to murder, to odious bestialities and barbarities.... The complete extermination of all the Romanians in Transylvania, so that Transylvania may eventually become Hungarian! Why not exterminate all the nations on the continent, so that all Europe may become Hungarian? There would be more living space, and the Hungarians would indeed live in an earthly paradise."<sup>6</sup>

In fact, the strategy laid out in the pages of "Nincs Kegyelem" belonged--as is very well known--to the Horthy regime's fascist ideology and practice on a general plane. In those years, the leaders of Horthy's Hungary were proud of the fact of having been, if not the founders, then, in any case, the pioneers of fascism, competing openly in this regard with the Nazis, asking publicly that their "capacity" as fascist pathfinders in Europe be recognized on a world level. On 19 October 1942, the newspaper PESTER LLOYD published Prime Minister Miklos Kallay's speech, delivered in Ungvar, in which, talking about national socialism and about fascism, he said bluntly: "It is a fact and a reality that we Hungarians were the initiators and the first champions of the conception which now rules all Europe and which will rule the whole world. Consequently, in the world that is being set up on the basis of this conception, first place is our due, first place must be given to us, since we are pathfinders."

Only "Incidents" or a Premeditated Policy?

The reality is that, under Horthy's patronage, a whole series of political parties, of unions, organizations, and associations--by mutual agreement and together with the state bodies--promoted for years on end the oddest nationalism and revisionism, incited aggression and expansion, and trained--sometimes secretly, sometimes openly--the shock elements of the reign of terror.



The murders--the most savage expression of the Horthyist reign of terror--came one after another during the 4 years of occupation of northwestern Romania. In the first weeks and months, they were of incredible proportions and of an appalling frequency. The authors omit all these things, noting in passing: "The Hungarian Army, which entered (northern Transylvania--our note) at the beginning of September, was not greeted with resistance, but various incidents occurred; in Ip and Treznea there were serious atrocities, which a military subunit committed, killing many Romanian inhabitants."

Sandor Kelemen, a contemporary of these events, pointed out in Budapest in 1946: "The military commanders were mostly of a fascist, chauvinistic orientation.... The most important work of the military commanders consisted of cleaning operations."<sup>8</sup> Along the same line of thinking, Laszlo Szenczei wrote: "On reaching northern Transylvania, the soldiers, filled to the marrow with fascist terrorism, committed odious atrocities against the helpless inhabitants of the Romanian villages."<sup>9</sup>

Consequently, these realities were underscored in 1946. Exactly 4 decades later, in the same Budapest, perhaps in the belief that the veil of forgetfulness has covered the acts and events, in "The History of Transylvania" it says, without any remorse, that, except for Ip and Treznea, nothing happened but that "various incidents occurred." However, the crimes--horrible crimes and by no means incidents--were too many and too painful to be forgotten. Eyewitnesses to the crimes committed are still alive! Some--then children--survived the massacres only because they were covered by the bodies of their murdered parents and Horthy's "brave knights" believed them dead. However, even when eyewitnesses no longer exist, the graves of the victims and the monuments raised in their memory will remind the generations to come in this area of the horrors committed in the dark years of the Horthyist reign of terror.

Here is some testimony that reveals the truth about those horrible acts and actions for which the authors in Budapest "are keeping the books" with a rare cynicism, calling them purely and simply "incidents."

Referring to the general persecution unleashed by the Horthyists, UNIVERSUL wrote on 23 September 1940: "The barbarities began on the 1st day of the occupation in Satu Mare and Bihor Counties. From the first hours of the occupation, the Romanian peasants were massacred. Other barbarities were also committed in the first hours at the Bicsad Monastery near the city of Satu Mare. In the middle of the night, around 0200 hours, the monks were assaulted by a group of young men in the Levente organization. Pulled from their cells and lined up in the yard, the priests were spat upon and struck with daggers, and a group of 20 peasants, fleeing on the day before to avoid the terrorists, were rounded up by another gang and massacred.... From the monastery, the Levente gangs went to Tara Oasului and to Maramures, where they massacred all the Romanians encountered. For 3 days and 3 nights, the villages experienced the most dreadful anarchy. At Sapinta, the peasants were beaten with wet ropes and then made to dig their own graves, there being imitated the procedures during the pure terrorism on the occasion of Horia's revolution."

The sacred duty to the memory of the victims requires that the following at least be mentioned: the crimes committed on the roads of the Meses Mountains and at the slaughterhouse in Zalau, where six Romanians were brutally murdered on 9 September; the massacres in Muresenii de Cimpie, where priest Andrei Bojor's family and all those who, by chance, were in his house at the time, 11 persons in all, were exterminated with dreadful brutality; those in Cozniciul de Sus or those in the Cerisa Commune, where 30 people, including 6 Jews and 9 Slovaks, were tortured and then shot (in the Domneasca Woods). Nor is it possible to overlook the shocking outrage committed on 13 September against four Romanians from the Camar Commune, when Horthyist gangs pulled them from their houses, took them into the Zauani Woods and tortured them terribly, made them dig their own graves, and then, as they were, half-buried them, leaving the rest of the body prey to the wild beasts of the forest. On the same day, 13 Romanians were murdered in Nufalau. The series of crimes committed "without mercy" is so long that the evocation of it would require not just a few pages, but whole volumes.

### All Who Got in Their Way

We noted just a few, to illustrate what exactly the authors in Budapest call "incidents." Granted--we already said--they admit in passing that "in Ip and Treznea there were serious atrocities, which a military subunit committed, killing many Romanian inhabitants." However, even the way in which this "admission" is made fills with disgust those who know the tragic truth. The crimes in those localities are completely evaded if you confine yourself to saying that "many inhabitants" were "killed." There, the population of two communes was massacred, so that the crime committed is comparable in scope and seriousness to those committed by the Nazis in Oradour and Lidice. Lazar Nicolae, a witness to the butchery in Treznea, said in his statement that "the villagers heard the captain's order (for the Horthyist soldiers) to shoot or bayonet all who got in their way...."<sup>10</sup>

With a passage from the testimony of a survivor, Eugenia Vlad, then 12 years old, we express the unimaginable brutality with which the crime at Ip was committed: "At dawn, they pounded again on the door with the butts of their rifles and took us all into the yard. I began to cry and to yell, 'Father, they are going to shoot us.' Being the smallest, I drew near to father, but they took me by the hands and pulled me away from him. They ordered us to sit down in front of them and to raise our hands. I again clung to father, crying and yelling continually that they were going to shoot us. Father encouraged us to not be afraid. A short command followed: 'Fire!' The chatter of the rifles deafened me. I saw mother collapsing. In the next second, father, falling, pulled me under him. Believing that the deadly bullets had hit all of us, they left us there and went to poke through the house. I stayed motionless until they left the yard. I got up and tried to see who was still alive. Father, mother, and the three sisters were dead, torn up by dum dum bullets. Steluta, the 3-week-old daughter of my bigger sister, was also in the house. I did not know what to do. I rushed to get help from the sisters who were married and who lived near us. First, I headed to Maria's: I found her dead together with her family. I hurried to the other sister's, Leontina's. Hearing shots, I was afraid to take the lane and I jumped over the fences. When I

reached her, I found her husband and his brother in the yard--dead. My first thought was that my sister and her daughter had escaped. Hopefully, I entered the house. Leontina was dead near the bed. Her little girl, Viorica, was in bed. I took her in my arms and shuddered. Her head was split in two. I no longer knew what to do and I went out into the middle of the road...."<sup>11</sup>

#### Driven From Their Homes

The facts attest indisputably that it was not a question of random crimes, of the excesses of some soldiers or "a subunit," as the authors put it, but of a true strategy for physically exterminating the Romanians in order to change the demographic ratio in favor of the Hungarians in Transylvania.

The ordeal to which the Romanian population was subjected and the crimes committed by the Horthyist occupiers were condemned vehemently by many cultured people, political militants, and journalists, including Hungarians. As an example, we cite the taking of a position by journalist Gyorgy Ferenczy, a Romanian citizen of Hungarian nationality, who performed extensive journalistic activity in Budapest and then Romania--Satu Mare, Cluj--and who left his hometown Cluj ahead of the invasion of the Hungarian occupation forces, fleeing to Romania, where he then wrote the well-known work "Golgota in Transylvania" [Golgotha in Transylvania], published in Arad and Bucharest in 1941. "...The proud land of Transylvania," he wrote, "has been turned into a terrible Golgotha where the most horrible events occur. The people are locked up by the hundreds, by the thousands, are beaten, are tortured cruelly. The murders and executions come one after another, and all of them just because the only offense of the unfortunate victims is that of having being born Romanian..., the wind moves the corpses of the hanged..., the bestial instinct has been released and barbarism and vengeance are doing the wild dance of death...."<sup>12</sup>

The action of driving the Romanians en masse and individually from their home areas, Romanians who, forced to abandon all their property, had to go to southern Transylvania in order to survive, constituted another way of changing the demographic ratio and, at the same time, a constant form of manifestation of the Horthyist reign of terror. Noting this vast drama that included hundreds of thousands of people, the authors say, with condemnable facility, in their euphemistic style: "About 100,000 Romanians, mostly functionaries and intellectuals, took refuge in the south from the Hungarian authority established in northern Transylvania."<sup>13</sup> No! This is not the truth. The number of those who fled on their own was relatively small. The great majority were forced to leave. The Horthyist authorities used the most brutal, treacherous, and inhuman methods to get as many Romanians as possible to abandon their property and homes.

The Horthyist authorities, the paramilitary, terrorist, nationalist-chauvinistic organizations, and the fascist political parties openly proclaimed this state policy and did everything to implement it. The official slogans, shouted on the street, openly, enthusiastically, were: "Olahmentes hazat!" (We want a homeland without Vlachs!); and "Horthy, Csaky, Teleki, minden olah menjen ki!" (Horthy, Csaky, Teleki, all Vlachs should clear out!). The

following version also appeared later: "Zsidomentes Erdely!" (We want Transylvania without Jews!)

Of course, murder constituted the most brutal way of getting even with the Romanians. However, up to murder, the Horthyists used everything that they could imagine as far as retaliation was concerned.

Not 100,000, but Over 250,000 Romanians Expelled

The local Horthyist authorities, encouraged by the central ones, constantly expanded the range of the means and methods of pressure and demoralization of the Romanians, of maltreatment, of continual pettifoggery, of threats and brutalization, and of deprivation of the rights that were their due and the property that belonged to them. The arrogance and sadism of the Horthyists were savagely expressed in the attitude toward the young Romanians, required (at the age of 15) to participate in the weekly training (biweekly in some places) of the Horthyist-fascist Levente youth organization. This training was used by each Levente instructor to deride, maltreat, and torment the young Romanians beyond all bounds, a reason why many of them chose the course of fleeing to Romania. "...The instructors separated us Romanians from the Hungarians and tied us to the yokes of harrows, six-eight premilitary (Levente--our note) trainees each per harrow, and forced us to pull. So all we Romanians pulled some 10 harrows, until we harrowed the whole piece of land, for 7 hours. When one of us fell down, the instructor hit us with a club and we had to get up and pull some more. The Hungarians climbed onto the harrows to make it harder for us..." (From the statement of Alexandru Chis, 14 years old, a refugee from the Brebeni Commune).<sup>14</sup>

The number of those who fled was not--as it says in "The History of Transylvania"--100,000 and they were not "mostly functionaries and intellectuals," it thus being insinuated that mostly people connected with the Romanian state by the nature of their profession or posts "withdrew." In reality, the number of those who had to abandon their area in the face of the Horthyist wrath totaled far more than 250,000 people, a mass composed mostly of peasants, workers, and artisans (over 70 percent) of all ages, females and males.

The improper sending of the Romanians to the front and the concentration of them by the tens of thousands in forced-labor and punitive detachments constituted a separate chapter in the strategy of persecuting, exhausting, and physically eliminating them. The authors in Budapest, consistent with their tactics of falsification and evasion, say only this: "The men who had to serve in the Army were called up in large numbers for labor detachments (because) manpower was lacking in many families."<sup>15</sup> Diametrically opposed to this "innocent" admission, the reality was so dramatic that it drew the attention of even the Nazi intelligence agencies. Thus, in an intelligence report numbered 7798/428, sent to the German legation in Bucharest, the Abwehr's office in Romania said that "all Romanian men up to 55 years of age, even the crippled, were recently mobilized in the part of Transylvania ceded to Hungary, and insofar as they could not go into the troops, they were divided into labor companies. Part of the people in the latter formations were sent with their clothes to old Hungary and part to the Ukraine, and they were strictly

forbidden to reveal their ethnic origin to other persons...."<sup>16</sup> Tens of thousands of Romanians were subjected--in the labor detachments--to the most inhuman conditions, many were exterminated, and others were subjected to every possible harassment.

"The Romanian population in northern Transylvania, largely peasants, suffered from the difficulties caused by the war and from the discrimination to which it was separately subjected,"<sup>17</sup> the authors wrote, again evading the truth. The reality is that, setting aside the objective difficulties caused by the war, the entire Romanian population--in cities and villages alike--was badly hurt economically, with a number of steps being taken to limit and eliminate Romanian businesses and the economic activity of Romanians in general.

The snatching--through discriminatory laws--of the businesses from the hands of the Romanian owners was accompanied by the firing of the Romanian workers from factories and plants.

#### For the Benefit of the Hungarian Counts

Undoubtedly, the stratum most hurt was the Romanian peasantry. The abuses of the Horthyist priests, notaries, and police against the Romanian population in the rural area were pushed beyond all bounds. Together with the arbitrary and abusive requisitions, the daily pettifoggery and derision made the lives of the Romanian villagers unbearable, especially as all these things occurred on the basis of stealing the peasantry's main means of existence--the land. Despite these realities, the authors note, facilely and confusedly, the nullification, for the peasantry in that part of Romania, of the results of the agrarian reform achieved after World War I. They limit themselves to asserting that "the old landlords disputed the agrarian reform and brought 17,000 suits, mostly against the Romanian peasants, having as a result the return of their estates in various places or of part of them."<sup>18</sup> The truth is that the regulatory acts issued by Hungary's state bodies (Ordinance No 1,890, Ordinance No 6,010/1941, Ordinance No 1,440/1941 ME, and Ordinance No 2,790/1941, all published in ELLENZEK, No 285, 12 December 1941, and in BUDAPESTI KOZLONY, No 84, 13 April 1941, No 183, 15 August 1941, etc.) attest unequivocally to the reality that it was not just a question of "disputing" the agrarian reform through which the Romanian state gave land to a large number of peasants--Romanian and Hungarian--but of a state policy, established by means of acts with the force of law, which sought precisely and openly to dispossess the landed peasant of the land gotten, for the benefit of the former big landowners--the Hungarian counts.

Of the multitude of distortions of the reality regarding the consequences of the Horthyist occupation regime for the Romanian population on that territory, those referring to education, culture, and the church also lie on a central plane. Thus, it is asserted that "the Romanian-language primary schools could still operate in the areas inhabited mostly by Romanians, but the teaching of the Hungarian language became mandatory," and that "in the network of middle schools, 14 Romanian sections and secondary schools, respectively, could continue their activity."<sup>19</sup> The truth is that the number of Romanian schools, including in "the areas inhabited mostly by Romanians," was constantly cut.

As compared with 1,966 schools existing in 1940, just 672 Romanian primary schools still operated in 1944. Of 56 Romanian secondary schools, only 1 secondary school and 6 sections within Hungarian secondary schools still existed in 1944. In 1940, 4,692 teachers performed their activity on this territory, but only 269 in 1944; in the same period, the number of professors fell from nearly 800 to about 160.

As regards the evaluation that "14 Romanians sections and secondary schools, respectively," would have "operated," the authors let the readers guess how many Romanian sections and secondary schools there actually were. We will be specific: a single Romanian secondary school remained--in Nasaud--and that with an extremely small number of pupils and teaching personnel.

The authors also concern themselves with the fate of the Romanian church on that territory. However, the distortion goes so far that what they assert cannot be read without causing disgust. They write in black and white: "From a cultural viewpoint, the Romanian churches became more active, although the priests were exposed to harassment."<sup>20</sup> It is not possible for the authors to not know the fact that the Horthyist occupation regime hit the church with exactly the same severity as the school and the other fields of Romanian spiritual life in order to deprive the Romanians of one of the most important points of moral support in the face of the huge wave of terrorism. Referring to this aspect of the Horthyist occupation regime, American journalist Milton Lehrer wrote: "'The Hungarian fury,' fed for 2 decades by the apostles of revenge with a perseverance worthy of more noble goals, raged like a storm over the peasantry and the intellectuals of the Romanians. The Hungarian fury against everything that was Romanian went so far that even the Romanian churches were not spared.

"Reviewing the thousands of barbarities committed by the Horthyist gangs immediately after the occupation of the ceded territory, you are left with the impression that they were integrated into a well-thought-out plan: /the total abolition of Romanianism/ [in italics] or, to employ the term used so much when it is a question of characterizing the relations between the Hungarians and the nationalities, /the extirpation of the Romanians/ [in italics] from the land of Transylvania."<sup>21</sup>

#### The Truth Cannot Be Hidden

In order to evade the Horthy regime's crimes, the bloody reign of terror unleashed in northern Transylvania, the authors in Budapest resort to the stratagem of parallels, insinuating that such acts also occurred in southern Transylvania. "The so-called policy of reciprocity toward the nationalities began," they assert, "expulsions were answered with expulsions by the other side, internments with internments, the closing of schools was answered with the closing of schools, with complete uncertainty being created regarding the fate of the Romanians in the north and the Hungarians in the south, respectively."<sup>22</sup> No, this is not true! It can be stated with complete certainty that it is not possible to draw any sort of parallel between the policy toward the nationalities promoted by the Horthy regime in northern Transylvania and that promoted by the Antonescu regime in southern Transylvania; the situation

of the Romanians and the Jews in the north does not bear any resemblance to that of the Hungarians and the Jews in the south. Naturally, it cannot be denied that there were also some expulsions, internments, and harassment of the Hungarians and persecution of the Jews in southern Transylvania. However, how can they be put on a par with the mass murders, with the massacre of whole villages of Romanians in northern Transylvania, with the maltreatment and starvation of tens of thousands of people to the point of complete physical exhaustion, with the deportation of over 160,000 Jews to their death. In order to make their assertions even more convincing, the authors mention at one point "a deadly offensive" allegedly "against the Hungarians." However, this assertion is--we must say it--an outrageous lie. No! In southern Transylvania, no kind of deadly offensive occurred, neither murders nor massacres against either the Hungarians or the Jews occurred. Not one person was shot or hanged because he was a Hungarian or a Jew.

Voicing his profound indignation at the atrocities and crimes committed by the Horthyists against the Romanians on the invaded territory, Nicolae Iorga wrote on 24 September 1940 in the article "The Result": "What has occurred there in the taking of possession by the Hungarian Army and the Hungarian administration, under its eyes and without any attempt to stop it, and even with its gracious assistance, surpasses any imagining and can be set alongside the most horrible scenes from the time of the barbarian invasions, when at least the thirst for killing was not combined with the sadism that belongs to our times.

"Hangings upside down, crucifixions, the hammering of nails into heads, the sprinkling of quicklime on wounds--these have been, to the best of my knowledge thus far (and the martyrdom becomes more and more visible), the signs of the civilization of the people who have dishonored themselves by such acts. The Romanian state will do as it thinks right. On our part, we have just one piece of advice. To not disturb a strand of hair on the head of any Hungarian citizen of Romania. This is the most terrible punishment that we can give the torturers and murderers."

These are the facts, this is the truth, and only the stating of it, the evocation of the events as they were, only the open, unequivocal condemnation of the nationalist, chauvinistic, revisionist ideology and practice can help to consolidate and develop peaceful cooperation in the spirit of good understanding between the Romanian and Hungarian peoples.

#### FOOTNOTES

1. It is known that Hitler said to Ciano, on the occasion of the talks held in Obersalzberg on 28 August 1940: "In fact, Hungary should accept any compromise, since it has not gained anything through its own powers; it owes the revisionist successes obtained exclusively to fascism and national socialism" ("A Wilhelmstrasse es Magyarorszag," Kossuth Konyvkiado, Budapest, 1968, Doc No 345, p 518).
2. "Erdelyi Tortenete," Akademiai Kiado, Budapest, 1986, p 1,754.

3. Ibidem.
4. Ibidem.
5. Csaba Ducso, "Nincs Kegyelem--Attila, Almos, Arpad Ivadeka Fel ax uj Honfoglaldsra!," Budapest, spring of 1939, p 156.
6. Milton Lehrer, "Ardealul--Pamint Romanesc" [Transylvania--a Romanian Land], Bucharest, 1944, pp 218-219.
7. "Erdely Tortenete," p 1,754.
8. Sandor Kelemen, "Az Erdelyi Helyzet," Budapest, 1946, pp 12-13.
9. Laszlo Szenczei, "Magyar-Roman Kerdes," Budapest, 1946, p 161.
10. University of Cluj-Napoca Library, File No 1986/1944, sheets 158-159.
11. Bucharest State Archives, Section No 808, p 316.
12. See: Gyorgy Ferenczy, "Golgota in Transilvania" [Golgotha in Transylvania], "Eminescu" Institute of Graphic Arts, Bucharest, 1941, p 8.
13. "Erdely Tortenete," p 1,754.
14. University of Cluj-Napoca Library, File No 1986/1944, sheet 73.
15. "Erdely Tortenete," p 1,754.
16. Bucharest State Archives, U.S. microfilm collection, Roll 62T.77-894, C.5645799 Oberkommando der Wehrmacht, File OKW/1051.
17. "Erdely Tortenete," p 1,754.
18. Ibidem, p 1,755.
19. "Erdely Tortenete," p 1,755.
20. Ibidem.
21. Milton Lehrer, op. cit., p 287.
22. "Erdely Tortenete," p 1,754.

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CSO: 2700/253



## SERBIAN PRESIDENCY PROPOSAL TO AMEND SERBIA'S CONSTITUTION

Belgrade BORBA in Serbo-Croatian 30, 31 Jul 87

[Full text of proposed amendments to the Constitution of SR Serbia]

[30 Jul 87 pp 1, 3]

[Text] In its last session, which was held on Tuesday, 28 July, the State Presidency of SR Serbia adopted the proposal to undertake to amend the Constitution of the Socialist Republic of Serbia. The proposal was sent to the Assembly of SR Serbia, where the first debate is expected in early September.

All three assemblies--SR Serbia and the socialist autonomous provinces of Kosovo and Vojvodina--are to take a position to accept or reject the initiative no later than 45 days after the public debate begins.

The proposal of the State Presidency of SR Serbia to undertake to amend the Constitution of SR Serbia, which BORBA will be publishing in two installments, today and tomorrow, is given in full except for the preamble. The reason is that the preamble sets forth basic commitments concerning constitutional amendments at the federal level and in the republics and provinces which are already well known and have been published in the press. Today, then, BORBA is publishing only those parts which pertain to relations in SR Serbia.

That is the reason why we are not publishing 10 entire points contained in the Proposal To Undertake Amendment of the Constitution of SR Serbia (Points 2 through 11). Points 12 through 48 of the Proposal deal with relations within SR Serbia, and BORBA is presenting this part in full. Moreover, so that some of the proposals will be clearer to readers, for example, Article 24 of the Proposal, which mentions Article 300, Subparagraph 2, of the present Constitution, BORBA will publish along with the text of the Proposal the corresponding current provision in the Constitution of SR Serbia to which the proposed amendment pertains.

Socialist Republic of Serbia--State Presidency of SR Serbia  
No 010-501/87  
28 Jul 1987  
Belgrade

To the Assembly of the Socialist Republic of Serbia, Belgrade

In SR Serbia as well as in the socialist autonomous provinces and in the other socialist republics a number of specific initiatives have been taken in recent years to improve practice and amend certain solutions in the domain of the political system which have not recommended themselves in practice. The purpose of these initiatives has been to make the political system and its institutions more effective and efficient, to make them serve successful economic and social development, and on that basis to contribute to more consistent democratic development of society.

The Critical Analysis of the Functioning of the Political System of Socialist Self-Management and the public discussion of it, and also the Views of the 13th LCY Congress, the 10th Serbian LC Congress, and the provincial conferences of the Kosovo LC and Vojvodina LC have clearly expressed a need to make certain amendments in the SFRY Constitution and the Constitution of SR Serbia and the constitutions of the socialist autonomous provinces as pointed up by past experience and problems that have cropped up in practice. The point of departure here is the unanimous view that there is no need for changes in the basic constitutional principles, but only changes in the normative portion of the Constitution.

The amendments to the Constitution of SR Serbia should express and guarantee more fully the prerequisites for more effective functioning of the entire socioeconomic and political system on the foundations of the federal system of the SFRY and for more consistent realization of brotherhood and unity and equality of the nationalities and ethnic minorities. The constitutional amendments should contribute to more consistent expression of the constitutional status of SR Serbia and the socialist autonomous provinces in performance of their functions and realization of unity and community in SR Serbia; to a strengthening of the production relation of self-management and the delegate system and to more rapid development of the productive forces and fuller realization of the social status of associated labor, to respect for economic laws and the real functioning of the unified Yugoslav market; to a reduction of normativism and formalism; to more optimum organization and also to more effective functioning of all the institutions in the political system; to a strengthening of constitutionality, legality, and responsibility and to the building of other prerequisites for a strengthening of socialist self-management democracy.

The Constitution of SR Serbia should express more fully the complexity of SR Serbia as a state and as a community which contains within it two provinces, in light of the fact that the provinces are at the same time a constituent element of relations in the Yugoslav Federation. The existence of the socialist autonomous provinces is an expression of objective historical and present-day social needs and circumstances. It represents not only one of the guarantees of equal relations among the nationalities, but also a condition for the future development of socialist democratic relations within SR Serbia and within the SFRY.

Among the upcoming constitutional amendments those amendments in the SFRY Constitution which are to eliminate obstacles to the development of self-management social and economic relations have the greatest importance. And the basic prerequisites for unity and community of SR Serbia are contained in the unity of the Yugoslav market, the unhindered circulation of social capital, the faster transition to a real economy as contrasted with political voluntarism in economic life. This is the road toward greater economic efficiency and a means of overcoming exclusiveness and disintegration of society. The purpose of the constitutional amendments is to further restrict the possibilities of cutting into the income of the economy and of statist redistributions on whatever grounds.

On the basis of experience and what has been learned by the organized forces of our society in past years, the Constitution of SR Serbia should affirm more fully the essential foundations of the equality of the nationalities and ethnic minorities, of the self-management unity of society, and of further development of self-management socialist democracy. The work on the amendments is to be based on the desire to strengthen the responsibility of the republic for the autonomy of the provinces and the responsibility of the provinces for the democratic socialist unity of the republic. In the sphere of material relations the unity of the republic is to be built on the foundations of self-management and discussion followed by agreement (dogovaranje), that is, on a further strengthening of the socialist production relation. Moreover, the unity of the republic is also to be manifested in the necessary degree through the status of the republic as a state.

In keeping with these basic commitments and practice to date in implementing the Constitution of SR Serbia and on behalf of consistent realization of the essence of the constitutional arrangements, there is a need to spell out in the normative section of the Constitution of SR Serbia the provisions which have not been clear enough or elaborate enough and which have been an obstacle to achieving the constitutional position of SR Serbia and of the autonomous provinces within it and to achieving unity in the republic. The debates conducted so far and the analyses which have been done show that the main issue raised in this connection is that of the content of laws which are applied uniformly over the territory of SR Serbia, the manner in which they are to be enacted and relations with respect to their enforcement, issues related to enactment and implementation of the Social Plan of SR Serbia, the jurisdiction of the State Presidency of SR Serbia and other republic bodies. There is also a need to find solutions for other issues on which there have been significant differences in interpretation and application of certain constitutional provisions in practice to date.

There is at the same time a need to consistently achieve the role set forth in the Constitution of the Assembly of SR Serbia as a body of socialist self-management and of the supreme body of government within the framework of the rights and duties of the republic in performing functions related to matters and relations of interest to the republic as a whole. There is a need as well and at the same time to guarantee more effective work of all bodies responsible for carrying out republic laws which are to be uniformly applied. Proceeding from the constitutional conception that the enforcement of republic laws in the

provinces is primarily the responsibility of provincial authorities, there is also a need to see that republic authorities, within the limits of their constitutional powers, have their own responsibility for enforcement of those laws. Over the entire territory of SR Serbia it will also be absolutely necessary to guarantee consistent execution and respect for basic human and civil rights and the rights set forth in the Constitution, and appropriate amendments are to be made in the system of criminal and legal protection to that end.

The State Presidency of the Socialist Republic of Serbia, on the basis of Article 428 of the Constitution of SR Serbia, in a session on 28 July 1987, has resolved to submit to the Assembly of the Socialist Republic of Serbia a Proposal To Undertake Amendment of the Constitution of the Socialist Republic of Serbia.

The State Presidency of the Socialist Republic of Serbia believes that amendments in the Constitution of SR Serbia should be made in the following directions in order to achieve those goals:

12. On behalf of full and consistent reconciliation of the provisions of the Constitution of SR Serbia with the amendments and supplements which are to be made in SFRY Constitution, the subsequent work on amendments to the Constitution of SR Serbia will cover all solutions adopted in amending and supplementing the SFRY Constitution when they have a direct impact on the solutions in the Constitution of SR Serbia (with respect to developing, guaranteeing, and consistently implementing constitutional solutions concerning social ownership, self-management pooling of labor and capital and self-management organization of associated labor, the strengthening of the social status and further affirmation of personal work, decisionmaking in organizations of associated labor, reconciliation of the election system and expansion of the principle of direct elections, a strengthening of responsibility for realizing common interests in the Federation and for the functioning of the unified Yugoslav market, the uniform and effective execution of laws and other enactments, the rights and duties of the Federation and federal bodies and agencies, advancement of the work of the SFRY State Presidency, etc.).

13. The Constitution of SR Serbia needs to express and guarantee more clearly that the Assembly of SR Serbia, in collaboration with the assemblies of the socialist autonomous provinces, is to take up matters of common interest to the republic as a whole and is to adopt resolutions and other relevant documents concerning those matters.

The Constitution of SR Serbia needs to express more clearly and explicitly the need for more direct cooperation and conclusion of agreements among the Assembly of SR Serbia and assemblies of the autonomous provinces on matters of common interest which lie in the independent jurisdiction of the republic and the autonomous provinces, and it shall accordingly provide that the Assembly of SR Serbia and assemblies of the autonomous provinces may set forth joint bases for regulation of relations in particular areas by their own acts and if necessary form joint bodies and achieve other forms of collaboration.

14. The Constitution of SR Serbia should explicitly state the legislative powers of the republic in editing the anthem and the use and protection of the seal uniformly for the entire territory of the republic.

15. Pursuant to the principle contained in the SFRY Constitution that it is the right and duty of opstinas, autonomous provinces, republics, and other sociopolitical communities, in keeping with the system of national defense and each on its respective territory, to regulate and organize national defense, and to direct territorial defense, civil defense, and other preparations for defense, and should there be an attack on the country--to organize nationwide resistance and to direct it, it is indispensable that the Constitution of SR Serbia clearly spell out the right and duty of SR Serbia to set forth the necessary elements which guarantee unity in organizing, planning, and developing the system of nationwide defense in the republic.

The Constitution of SR Serbia should state specifically:

i. that the defense plan of the republic is also to contain matters of common interest to the republic as a whole;

ii. that SR Serbia is to regulate uniformly for the entire territory of the republic the necessary elements of interest to the republic as a whole which pertain to organizing, preparing, and directing territorial defense;

iii. the rights and duties of the State Presidency of SR Serbia in the direction of national defense should there be an attack on the country over the entire territory of the republic.

In the performance of its constitutional functions in this area the State Presidency of SR Serbia shall reconcile views with the state presidencies of the SAP's on the defense plan of the republic insofar as it contains matters of common interest to the republic as a whole, on preparations for defense, and for work in case of immediate danger of war or a state of war, on organizing nationwide defense and on coordinating the direction of nationwide defense in wartime over the entire territory of the republic.

16. Pursuant to the principle contained in the Constitution of SR Serbia that the working people and citizens and nationalities and ethnic minorities in SR Serbia shall pursue and guarantee their common interests, including sovereignty and freedom of nationalities, independence, territorial integrity, security and social self-protection, there is a need to spell out the necessary powers and obligations of the republic and of its bodies and agencies, above all the State Presidency of SR Serbia, in the area of state and public security.

The constitutional authority should be spelled out whereby SR Serbia, within the framework of the bases of the system for protection of the order established by the SFRY Constitution (state security), which is regulated by the Federation, is to guarantee to the necessary degree the unity in the system of protection of the order established by the Constitution of interest to the republic as a whole.

In the performance of its functions in this area the State Presidency of SR Serbia shall reconcile its views with the state presidencies of the SAP's in assessment of the state of the order established by the Constitution (state security) of interest to the republic as a whole and of significance to coordinating the activity of law enforcement agencies of the republic and autonomous

provinces of interest to protecting the constitutional order of the republic as a whole.

The relevant provisions of the Constitution of SR Serbia should emphasize more strongly the need to achieve cooperation, notification, and agreement among the republic and provincial agencies on matters which are of interest to the republic as a whole.

17. There is a need to spell out the necessary content and scope of the criminal and legal protection of the freedoms, rights, and duties of man and citizen, the self-management rights of the working people and organizations of associated labor and other relations set forth in the Constitution of SR Serbia and the republic law which is uniformly applied over the entire territory of the republic. Within that the need should be examined for regulating over the entire territory of the republic the question of certain qualified forms of crimes which are directed toward violating ethnic equality, insofar as they have not been dealt with by federal law.

18. The Constitution of SR Serbia should guarantee that values protected by the constitution and republic law which are uniformly applied shall under certain conditions enjoy judicial protection of the Supreme Court of Serbia as well. It is also necessary to guarantee that in certain cases violations of liberties, rights, and equality of members of nationalities, minorities, and ethnic groups proceedings shall be conducted in the Supreme Court of Serbia, for example, in a separate panel, on a request for protection of legality against final decisions of courts on the territory of the republic when application of a law uniformly applied over the entire territory of the republic is involved.

Pursuant to the previous paragraph, the Constitution of SR Serbia should also spell out the authorization of the republic public prosecutor to perform his function over the entire territory of the republic with respect to enforcement of a republic law that is uniformly applied.

19. So that SR Serbia participates more fully and in an organized way in establishing and carrying on international cooperation, consistent with the established foreign policy of the SFRY, there is a need to establish certain rights and duties of the republic in carrying on international cooperation.

Provision should be made in the Constitution of SR Serbia so that SR Serbia is assured mutual collaboration and coordinated activity of the bodies of the republic and autonomous provinces and other entities taking part in carrying on international cooperation.

Provision should be made in the Constitution of SR Serbia so that in carrying on international cooperation SR Serbia is represented by the entirety of its economic, social, cultural, and other values, in keeping with the rights and duties of the republic.

The Constitution of SR Serbia should be brought into conformity with the relevant solutions to be made in the SFRY Constitution.

[Text] 20. Pursuant to the principle that provincial authorities are responsible for execution of republic laws which are uniformly applied, there is a need to express more precisely in the Constitution of SR Serbia the responsibility of republic authorities for execution of laws and other enactments which are applied over the entire territory of the republic in a manner that would as a rule correspond to the solutions that are to be implemented in the SFRY Constitution and consistent with the constitutional status of the republic and the autonomous provinces within it.

21. The Constitution of SR Serbia should explicitly set forth the basis for enactment of the law which is uniformly applied concerning the republic's social plan, in which it shall also regulate procedure for establishing development policy and economic policy of common interest.

On the basis of the common interests of the working people, of organizations of associated labor, of self-managed communities of interest and of other self-managed organizations and communities, of opstinas and of autonomous provinces, and also on the basis of the republic's responsibility for its own development and for the development of the autonomous provinces, and the responsibility of the autonomous provinces for their own development and the development of the republic as a whole, there is a need to define more clearly the content of the Social Plan of Serbia with respect to matters which are set forth in the Social Plan of Serbia by agreement in the development policy and economic policy. The republic's social plan, in the context of market laws and economic independence of organizations of associated labor, on the basis of jointly appraised capabilities and conditions of development and of the development plans and programs of organizations of associated labor and other self-managed organizations and communities, shall set forth the development policy and economic policy of common interest.

There is a need for the Constitution of SR Serbia to elaborate in more detail the republic's responsibility for additional measures on behalf of faster economic and overall development of SAP Kosovo as a markedly underdeveloped portion of SR Serbia and of the SFRY.

22. In light of the fact that land use planning is an essential element of social planning, consideration is to be given to the need to establish in the Constitution of SR Serbia the constitutional basis for enactment of a law on land use planning that would be uniformly applied and which would also regulate the manner of reconciling matters of interest to the republic as a whole.

23. In addition to the existing provisions of the Constitution of SR Serbia which guarantee the equality of the languages of the nationalities and ethnic minorities and regulates their use in proceedings before government bodies, there is a need for the Constitution of SR Serbia to explicitly provide that in SR Serbia the Serbo-Croatian language and the languages of the ethnic minorities--Albanian, Hungarian, and others--are in official use--pursuant to the Constitution, law, and bylaws. There is a need to guarantee that these languages are to be equal in official use within the territory where they are used.

The constitutions of the socialist autonomous provinces shall regulate in more detail the equal use of the Serbo-Croatian language and the languages of the ethnic minorities which are in official use on the territory of the autonomous provinces.

24. The Constitution of SR Serbia should spell out the constitutional standards contained in Article 300, Subparagraph 2, which pertains to "the bases for keeping records on vital statistics" and "the bases of the status of religious communities." (Article 2 now reads: The bases of the legal regime of public ownership; the bases of property law and other substantive legal relations, the bases of forming associations of citizens and public meetings, the bases of the status of religious communities, the bases for public loans.)

25. There is also a need for the other provisions of Article 300 of the Constitution of SR Serbia, which are not covered by the previous points of the Proposal--if in the course of work on the constitutional amendments it is found that differences in interpretation cannot be overcome with a single interpretation--provide the necessary additional precision as to the scope and content of laws uniformly applied on the territory of SR Serbia as a whole on behalf of consistent realization of the rights and duties of SR Serbia and consistent realization of the constitutionally founded position of the socialist autonomous provinces.

26. In order to guarantee that the State Presidency of SR Serbia performs its functions over the entire territory of the republic in the domain of national defense, internal affairs, international cooperation, realization of the equality of the nationalities and ethnic minorities, and other areas, it is indispensable that the constitutional provisions concerning the jurisdiction of the State Presidency of SR Serbia be spelled out in keeping with the definitions set forth in the other points of the Proposal.

27. The republic's legislative powers should be supplemented by the following authorizations: protection of land against pollution; protection of human life and health against infectious diseases threatening the entire republic, as well as establishing cultural values of exceptional importance to the republic and the manner in which the conditions are to be brought about for their protection.

28. On behalf of consistent achievement of protection of constitutionality and legality there is a need to guarantee evaluation of the constitutionality of republic laws enacted on the basis of consensus of the assemblies of the autonomous provinces, along with respect for the specific nature of the character and manner of enactment of those laws.

29. The Constitution of SR Serbia should spell out the nature and character of the opinions furnished by the assemblies of the autonomous provinces in the proceedings of enactment of laws uniformly applied as well as procedure in the handling of those opinions.

30. The Supreme Court of Serbia is to decide in a separate panel on the delegation of the courts concerning the issue of application of republic laws uniformly over the entire territory of the republic.



31. The Constitution of SR Serbia should elaborate the question of more appropriate representation of personnel from the autonomous provinces and also of members of the nationalities and ethnic minorities in the bodies and agencies of the republic.

32. Article 415 of the Constitution of SR Serbia should make a correction by replacing the word "found" by the word "alleged." It now reads: If proceedings are instituted for evaluation of constitutionality and legality of an enactment or other general act of a body or agency of a sociopolitical community or general self-management act which is found at the same time to be contrary to the Constitution of SR Serbia or republic law and a provincial constitution or provincial law, constitutionality and legality shall be evaluated by the Constitutional Court of the province, which shall evaluate only the consistency of that enactment or other general act with the provincial constitution or provincial law.

33. The Constitution has provided that in order to prevent and correct major disruptions in the economy or when the interests of national defense or other extraordinary need of the republic so require, a law may prescribe certain measures which restrict and direct the use of social resources by organizations of associated labor and sociopolitical communities. In view of the breadth of this constitutional power of the republic and of its assembly, the Constitution should define more precisely what are the extraordinary needs of the republic, aside from those explicitly set forth, which could be the reason for adopting those measures.

34. In order to guarantee that the workers and other working people associated with one another to form self-managed communities of interest established for the territory of several opstinas decide on a self-management basis concerning their organization in order to participate in work and decisionmaking with the assembly of the opstina, the Constitution needs to express this clearly, in keeping with their right to self-organization.

35. In order to guarantee the conditions for protection of the air and weather conditions and climate as resources in the common interest, there is a need for the Constitution to create the basis for preventing in law the commission of acts which could harmfully bring about a change in weather conditions and the climate.

36. There is a need for application of the institutions of the optional contribution, which the Constitution refers to as a form of furnishing resources to meet community needs in a local community, also arises in the opstina and the city as sociopolitical communities for the purpose of furnishing resources to meet needs which arise in them. Therefore the constitutional basis should be set down for applying this institution in those communities and the basis for the binding nature of optional contributions when they have been approved by a majority vote of the working people and citizens in the area in which it has been implemented.

37. The Constitution of SR Serbia should precisely state that only laws and other enactments and general acts of the bodies and agencies of sociopolitical

communities may not have retroactive effect. Since the term "general acts" also includes general self-management acts, the constitution should precisely state in what cases and under what conditions general self-management acts may be retroactive.

38. In order to make it possible for the organization of jurisprudence to be set down in law, in keeping with the real needs of the social community and the volume and scope of the phenomena which are of importance to that organization, the Constitution of SR Serbia should contain only the provision that in SR Serbia there shall exist regular courts as bodies of government power and self-management courts, and establishment of the types of courts should be left to law.

39. In order to make it possible for changes in the territorial organization of opstinas to be made in a more optimal way, respecting the broader interests and needs of society, there is a need to envisage appropriate changes for an appropriate manner in which the interested working people and citizens can express their opinion.

The need and possibility of creating conditions for several neighboring opstinas to be able to form a municipal community as a specific sociopolitical community when so required by the needs of urban or socioeconomic development, etc., should be examined.

40. In order to correct the tendencies which have been manifested in development to date and in the practice of interopstina regional communities, whereby those communities take on the characteristics of sociopolitical communities, pursuant to the analyses and experiences to date, the Constitution should spell out the self-management character of interopstina regional communities, their functions, and the manner in which they perform those functions.

41. In order to guarantee consistent conduct of the established policy of the Assembly of SR Serbia, republic laws, and other enactments, the following provisions are necessary:

- i. that republic administrative agencies may issue binding instructions and directly monitor execution of those instructions by opstina administrative agencies;
- ii. that republic administrative agencies, in cases when the opstina administrative agency does not execute a particular administrative act, when this can cause harmful consequences, may itself perform that act, whereupon it shall notify the Executive Council of the Assembly of SR Serbia;
- iii. that it is the duty of opstina agencies which are responsible for enforcement of laws and other enactments to notify the competent republic agencies of their execution and also that it is the right and duty of republic administrative agencies to seek data and information from opstina administrative agencies concerning execution of laws and the state of affairs in a particular area;

iv. that it is the right and duty of the Executive Council of the Assembly of SR Serbia to raise the issue of responsibility of a competent administrative agency before the executive councils of the assemblies of opstinas because of failure to execute a particular law, other enactment or general act and to so inform the Assembly of SR Serbia;

v. the appropriate measures which the Assembly of SR Serbia and Executive Council of the Assembly of SR Serbia shall undertake in this case in keeping with their constitutional jurisdiction and responsibility.

There is a need to create the constitutional basis whereby if necessary exclusive republic inspection agencies can be organized if necessary in various areas or tasks of general interest to the republic.

The rights and duties of the republic administrative agency to propose institution of proceedings for establishment of the responsibility of an opstina inspector should also be set forth.

42. It should be laid down that enactments and other general acts of bodies of other sociopolitical communities and also general self-management acts of organizations of associated labor and other self-managed organizations and communities may not be contrary to a republic law or other republic enactment.

43. In order to guarantee the effectiveness of constitutional and judicial protection and in order to close certain loopholes, the following are necessary:

i. supplementation of the Constitution by explicit establishment of the consequences of voiding and the consequences of suspending acts by decision of the Constitutional Court (consistent with amendments to the SFRY Constitution);

ii. reconciliation of decisions contained in the Constitution of SR Serbia whereby the authorized proponent before the Constitutional Court of Serbia is the republic and provincial social defender of self-management law with the provision of the SFRY Constitution whereby the authorized proponent before the Constitutional Court may be any social defender of self-management law.

44. There is a need to study the appropriateness of the present constitutional solutions whereby the length of the term of office of holders of public and other public offices in the republic is established and to propose an appropriate solution.

45. There is a need to elaborate and spell out the institution of the legally binding decree issued by the State Presidency of SR Serbia since experience to date has shown that certain matters related to this act have not been worked out.

46. Proceeding on the basis of the constitutional-legal status of the various chambers and the past experience in the work of the Assembly of SR Serbia, there is a need to establish more precisely the jurisdiction of its chambers so as to express more clearly the physiognomy and role of the various chambers in the Assembly as established in the Constitution.

47. There should be a reassessment of the constitutional status, manner of formation, composition, powers, and manner of election of the State Presidency of SR Serbia and also of the manner of discharging its responsibility and its relations with the Assembly of SR Serbia.

48. There is a need to set forth an appropriate constitutional term that would signify "the territory of SR Serbia not included in the territory of the socialist autonomous provinces."

Ivan Stambolic, Chairman of the State Presidency of SR Serbia

7045

CSO: 2800/253

## WAGE POLICY FOR 8TH 5-YEAR PLAN VIEWED

Prague PLANOVANE HOSPODARSTVI in Czech No 2, 1987 pp 26-39

[Article by engineer Ivo Bastyr, Federal Ministry for Labor and Social Matters: "Wage Policy for the Eighth 5-Year Plan"]

[Text] Wage policy is a permanent and substantive part of the economic policy of a communist party and a socialist state. It is an area in which the basic principle of distributing the resources under socialism according to the amount and quality of work is adhered to to a significant extent. This represents the idea of social justice based on socialist equality resting on the criteria for value added. Following this principle also represents an important component of the flexible forces of social and economic development, such as economic incentive for enterprises, teams and individuals. Therefore, specific objectives of the wage policy are the center of attention for the government and party organizations at all the stages of social development.

The main objective of the wage policy for the Eighth 5-Year Plan has been outlined in documents of the 17th Congress. The concept is based mainly on the critical analysis of the results obtained in the course of the implementation of the wage policy during the previous five years and on the evaluation of ties between these conditions and the goals of the socio-economic development and the rewards system which will play a decisive role during the Eighth 5-Year Plan. This is the base used for determining the main objectives of the material and system wage policy.

## Wage Policy Implementation during the Seventh 5-Year Plan

The wage policy's main objective during the Seventh 5-Year Plan was to secure the following two-part task: to increase the effectiveness of bonuses under the conditions of the progressive intensification of economic development by emphasizing merit and differentiation, while securing the proportional wage development in accordance with the creation and proportional use of national revenue.

Economic intensification--i.e., the necessity to increase more rapidly the efficiency of using materials, labor, and capital and in the final evaluation of results (gains)--was demanding a quick fundamental change in the orientation of economic incentives in the organizations, work teams and individuals. It

was unusually challenging to ensure proportional wage development during the Seventh 5-Year Plan. The conditions for creating and distributing national income demanded the stimulation of economic development in spite of lower dynamics of nominal wages and a stagnation of the real wage levels, which was not the case during the previous 5-year plans. It can be stated that focusing economic incentives on the qualitative point of view had a positive effect on the results obtained during the Seventh 5-Year Plan by emphasizing intensification and improvement in efficiency.

The proportional wage development had many serious problems. The results can be summarized as follows:

The dynamics of nominal wages decreased, compared to the previous 5-year plans, but the real range of wages surpassed the expectations relatively significantly. The national income wage requirements for the five year period were higher than planned:

Table 1.

Item	Growth				
	national economy			social sector	
	total			included in state plan	
	5th PLP <sup>1</sup>	6th PLP	7th PLP	7th 5-year plan	
	actual		preliminary results	preliminary results	5-year plan
Created national income (billions of Kcs)	90.0	82.6	42.2	42.2	32.0
Netto (constant prices) (percent)	32.1	22.3	9.3	9.3	7.1
Total individual income (billions of Kcs)	35.8	36.8	28.5	27.3	16.3
(percent)	26.0	21.2	19.3	13.1	7.8
Wage costs of national income creation*					
--first year** (percent)	48.9	46.7	46.3	45.9	45.9
___for entire period (percent)	39.6	48.3	67.9	64.7	50.9

1. PLP = Five-Year-Plan

\* Wage costs given by the ratio of total wages and national income, or the growth of these variables.

\*\* 1970, 1975, 1980.

The tension between the development of nominal wages and material resources was increasing in the first years of the 5-year plan, when there was a stagnation in the creation of national income while the economy was adjusting to the more demanding conditions, particularly in internal relations. Since 1983, as a result of the renewed dynamics of the national economy development and stricter wage regulations, a turnover occurred, which in 1984 and 1985 resulted in a relatively significant decrease in wage costs of national income creation:

Table 2.

Item	1981	1982	1983	1984	1985*	<u>1982</u> <u>1980</u>	<u>1985*</u> <u>1982</u>	<u>1985*</u> <u>1980</u>
Creation of national income in constant prices:								
gross percent	0.4	0.8	2.7	3.8	3.3	1.0	9.9	11.0
net percent	-0.1	0.2	2.3	3.5	3.1	0.1	9.2	9.3
absolute (billions Kcs)	-0.6	1.0	10.3	16.3	15.1	0.4	41.8	42.2
Accrued wages**	2.3	2.7	2.4	2.5	2.5	5.1	7.5	13.0
absolute (billions Kcs)	4.7	5.8	5.3	5.8	5.8	10.5	16.9	27.4
Wage costs**	--	580.0	51.4	35.6	38.4	26.0	40.4	65.2

\*Preliminary data.

\*\*Data for the socialist sector of national economy (less JZDs) included in the state plan; the wage cost is given by the ratio of the accrued wages to net national income.

There was an analogous development of the ratios between the dynamics of work productivity and the average wages, reflected in the data from the sum of material production and the sum of industrial branches:

Table 3.

Item	1981	1982	1983	1984	1985*	<u>1982</u> <u>1980</u>	<u>1985*</u> <u>1982</u>	<u>1985*</u> <u>1980</u>
A) Total material production branches								
Labor productivity	-0.4	0.2	2.2	2.7	2.6	-0.1	2.4	1.4
Average wage	1.6	2.6	2.1	1.9	1.8	2.1	1.9	2.0
Difference	-2.0	-2.4	+0.1	+0.8	+0.8	-2.2	+0.5	-0.6
B) Total industrial branches; labor productivity based on:								
--value added	4.4	3.7	6.1	5.3	5.1	4.0	5.5	4.9
--gross production	1.8	0.7	2.4	4.3	3.0	1.2	2.9	2.3
Average wage	1.9	3.1	2.3	2.2	1.7	2.5	2.1	2.1
Difference in growth of average wages and labor productivity:								
--adjusted value added	1.8	0.6	3.4	3.4	3.0	1.5	3.4	2.7
--gross production	-0.1	-2.4	0.1	1.2	1.3	-1.3	0.8	0.1

\*Average annual growth.

\*\*The social work productivity is given by the share of created national revenue (netto) per worker in a material sphere branch.

It is characteristic that particularly during the first years of the 5-year plan there appeared a significant difference between the dynamics of adjusted value added and the stagnation in the creation of national revenue. This reflected mainly the effects of varied compensation (stable and current prices, the effects of the turnover tax on the valuing of national revenue) and the effectiveness of internal economic relations influencing the creation of national revenue.

The wage funds created on the basis of qualitative criteria, particularly real cost savings including some leading to distortions (mainly in price effects), made it possible for average wages in production branches to increase faster than those in services and non-productive branches. The wage situation in services tended to deteriorate:

Table 4.

<u>Sector</u>	<u>In Kcs</u>		<u>Growth 85/80</u>	
	<u>1980</u>	<u>1985</u>	<u>Kcs</u>	<u>Percent</u>
Industry	2751	3074	323	11.7
Construction	2922	3211	289	9.9
Agriculture <sup>1</sup>	2611	2969	358	13.7
Forestry	2726	3031	305	11.2
Transportation	3086	3278	192	6.2
Communications	2491	2683	192	7.7
Retail and public eating facilities	2388	2513	232	5.2
Local economy	2302	2534	232	10.1
Research and development <sup>2</sup>	3112	3329	217	7.0
Education	2566	2740	174	6.8
Culture	2394	2579	185	7.7
Health and social security	2597	2796	199	7.7
Administration	2687	2904	217	8.1
Total national economy	2697	2961	264	9.8

1. Government sector, 2. Centrally controlled organizations.

During the Seventh 5-Year Plan, a persistent tendency of a gradual decrease of the wages ratio in the total earnings of the population continued (data in billion KCS, method of balancing the income and spending of the population):

Table 5.

<u>Item</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>Growth 1985/1980</u>	
					<u>amount</u>	<u>percent</u>
Population's Income	226.4	292.1	356.9	416.4	59.5	16.7
Population's Wages	148.7	186.7	226.5	258.7	32.2	14.2
Ration (percent)	66.6	63.9	63.5	62.1	54.1	



The development reflects a long term shift of income distribution processes in the Czechoslovak national economy. While maintaining their dominant position in cash income, wages are gradually decreasing their role in providing a standard of living; instead, the transfer payments are playing an increasing role. Also, there is a greater stress that earnings exercise greater motivation effect on economic development and resource formation. This is apparent from the fact that wages show a circa 54 percent growth share of the growth of total cash income for the Seventh 5-Year Plan.

The development of real wages took place in accordance with the objective of maintaining and improving the standard of living; real to nominal wage ratio was maintained during the 5-year plan. The ratio of wages (and total monetary earnings of the population) to creation and consumption of national income was also ensured by the deflection in the development of real and nominal wages (i.e. by a movement of the cost of living). The creation of net national income surpassed the development of the real value of all basic monetary earnings components:

Table 6.

Item	Growth 1985/1980 (in percent)	
	nominal (cash) data	real data*
Creation of net national revenue	--	9.3
Population's monetary earnings	16.7	6.6
Wages	14.2	4.3
Wage funds in the social sector of national economy included in the state plan	13.0	3.2
Average wage	9.7	0.2
Cost of living for worker families	--	9.5

\*The growth of real values is determined as follows:

$$\frac{IP_n}{IZN} \cdot 100 - 100 \text{ with } IP_n = \text{nominal earnings index} \\ IZN = \text{cost of living index}$$

The orientation by organizations, teams and individuals toward economic incentives had a positive effect on material cost savings. Paying attention to adjusted value added--despite a number of problems, particularly the price distortion effects resulting from their use as basic criteria in wage fund formation in a significant number of economic organizations--contributed to the creation of a climate for economic and rational use of raw and semi-finished materials and for decreasing energy and transport intensiveness. The manager, work team and individual incentives intensified this trend which favorably affected the development toward lower material costs relative to output.

During the 5-year plan, the complexity and intensity of economic incentives to complete tasks in external economic relations, as well as inventory developments, was increased. The size of the wage fund, contingent on meeting exports,

supplementing the bonus fund from the export incentives, bilateral dependency of the bonuses given to supervisors in production organizations and foreign trade branches on accomplishing the planned export objectives, and other incentives (including a number of evaluation systems) had positive effects on the set of measures aimed at meeting the objectives. Thus, it was possible to significantly decrease the debt to non-socialist countries and to improve the development of economic cooperation with socialist countries. The priority of volume indicators was diminishing in favor of economic incentives to make foreign exchange more efficient; its application is a current issue in the Eighth 5-Year Plan. Concerning inventory management, the bond between accrued wages and subsidies and sanctions strongly influenced the credit extended by the Czechoslovak State Bank. This was supplemented by the system of individual economic incentives for employees in responsible positions.

The conditions created within the systems of collective and individual economic incentives, which are a significant part of the regulations approved as a part of an economic mechanism to accelerate the implementation of the results of research and development advances, to increase the technological and economic standards of the product, and the quality of production, were not used extensively enough in the management practice. The results obtained in these crucial areas of intensification and efficiency do not correspond to the needs or possibilities. The possibilities created to stimulate labor productivity, rational utilization and manpower saving are also not being taken advantage of.

Analyzing the results of the wage policy during the Seventh 5-Year Plan provides us with much useful information for the subsequent period which forms a significant base for adjusting the system and management tools. The basic information revealed that effective compensation that will meet the current demands of the economic and social development, can only be successful by a dialectic linking of economic mechanism and wage policy instruments. These create challenging economic conditions and have a positive effect on the behavior of individuals being rewarded according to the work accomplished--managers at all levels as well as work teams.

#### Basic Conditions and Goals of the Wage Policy for Eighth 5-Year Plan

The wage policy for the Eighth 5-Year Plan will be influenced in many ways by the goal of strategic acceleration of socio-economic development set by the 17th Party Congress. The following will be characteristic for the economic incentive and compensation systems:

--The intensification processes will concentrate on very demanding areas: mainly in the area of accelerating introduction of the results of research and development, which will mean a higher level of innovations, attaining higher labor productivity and product quality, better export efficiency and effectiveness, and more extensive incorporation into the international division of labor, particularly socialist economic integration;

--In individual branches and subject areas, the acceleration of the dynamics of economic development will be significantly differentiated, according to the requirements of effective development of the national economic structure. It will

take place under the conditions of full employment, increased employee qualifications and gradual increase of employment in the branches of maintenance and personal services. Pressure on total output and on strengthening the production and work ethic will also be increased.

--The strengthening of the merit principle will determine the socio-economic development. The work teams' and individuals' participation in the resources created will be based on distribution according to work. In addition, the development of the population's cash form of earnings will be given priority and the merit principles will be augmented in further areas of employee compensation and evaluation, such as disbursements from social consumption funds, social cultural needs and funds, et all.

--The activity of the employees will be effectively influenced by a suitable linking of economic and other work incentives reflecting the attained level of social relations.

The conditions and tasks of the economic and social developments in the Eighth 5-Year Plan, outline the following goals and objectives of the wage policy:

1. To intensify the use of work compensation based on merit; and for that purpose:

--to achieve a focus on the determinant aspects of intensification, i.e., to aim economic incentives at priority tasks set for individual sectors and work shops; these tasks include accelerated introduction of scientific and technological innovations, increased labor productivity, high product quality, export efficiency and effectiveness, desirable marketing structure, savings of raw materials and semi-finished materials as well as energy, better utilization of capital assets and the fulfillment of important tasks of capital investment, so that all these improvements become a permanent basis of economic motivation in organizations, collectives, and individuals;

--to make the wages contingent on the economic and work results and for this purpose to increase the number and quality of technical and economic standards and to use them, to the largest possible extent, as measures of work output and compensation;

--to emphasize a more significant wage differentiation: base it on scaling of wages between teams and individuals according to task difficulty and results achieved and to apply equally both aspects of the incentives and the resulting differentiation: an active one, for quality and responsible work, and a passive one, as an appropriate penalty for missing the targets and shoddy work; to stand up fundamentally against conciliatory, non-conflict approaches to compensation.

2. To ensure the correct ratio in wage development relative to the creation of national revenue and the expected structure of its distribution and, specifically:

--focus on prudent wage development;

--in general, and in the majority of production branches, to ensure a faster growth in labor productivity than in average wages and to reduce wage costs of total output;

--instill challenging conditions for creating accounts to be used for compensation based on an indicator which best expresses material, energy and manpower savings in production and services.

3. To improve and strengthen a uniform national wage management and for that purpose to:

--develop economic, political, ideological-educational and personnel pressures to implement a wage policy leading to the assertion of societal goals and increase in authority and responsibility of managers, to a demand for principled approach to using the merit and differentiation systems of wage policy, and to intensification in the participation of work teams in implementing the wage policy;

--improve the central wage management, particularly in the area of basic wages, and continuously broaden the authority and responsibility of organizations for the level of a base standard and effective incentive wage components and to bring it to the level of requisite quality aspects of economic development;

--develop a political wage policy in cooperation with state, economic and trade union office holders; include in its preparation and implementation a large number of economic, scientific research experts and activists [working sessions] of officials; continue in the rationalization of wage regulations and make the wage agenda less administration intensive.

#### The Wage Pace and Differentiation

The dynamics of nominal wages influence the general concept of wage policy with its integral economic, socio-political and ideological aspects. Within all these aspects, the policy affects the comprehensive standard of living policy, the rate of disbursements from social consumption funds and according to the work effort and, the development of earnings in addition to regular wages, pricing policy, and the cost and financial relation developments. In the management system itself, the relations between regulatory and incentive mechanisms, the extent to which wage requirements are covered, the ways of utilizing active motivation and economic incentives for teams and individuals are contingent on the wage dynamics.

The growth of nominal wages is contingent on the ability to realistically fund the wages from merchandise sales and services. During the planning as well as implementing stages of the wage policy for the Eighth 5-Year Plan, the policy will focus on the maximum convergence in the development of nominal and real wages. This policy contributes significantly to the stability of retail prices and the strengthening of social security coverage.

If a 3.5 percent annual growth of national income could be secured, then the expected annual growth of the average real wage would be circa 1 percent.

Contingent on the development of funding the wages, efforts will be made during the 5-year plan to increase this dynamic by 0.2 percent annually (i.e., 1 percent during the 5-year plan). Taking into account the prevailing movement of the retail price levels, the annual growth of average nominal wages is expected to reach 1.2-1.3 percent within the national economy (circa 6.5 percent per 5-year plan as compared to the 1985 plan). Should a surplus result in funding of real wages in the course of the 5-year plan, it will be used to create nominal wage social reserves and their effective use for priority trends.

The expected wage dynamic is economical and requires highly responsible regulating at all levels while consistently utilizing mutual dependency on the results being attained. In the course of the 5-year plan, the proportion of nominal wages, their actual funding and the creation of national income will be continuously monitored, since deviations from the plan would require necessary regulatory measures.

Wage differentiation among teams and individuals according to the difficulty of work tasks and the actual results, is profoundly significant for stimulating economic development. In order to maintain continuous quality replacement and distribution of labor and to create conditions for effective wage incentives, it is also important to adjust the wage standard and development within the economic branches. Therefore, the wage policy for the Eighth 5-Year Plan requires all the components of management to pay attention to the development of wage relations in branches, sectors and enterprises. In order to adjust the inter-branch wage differentiation, analysis of wage relations was conducted during the preparations for the Eighth 5-Year Plan and the following conclusions were reached:

--the basis for wage differentiation within the national economic branches is the wage compensation for the amount and quality of work, characterized by how specialized, responsible, demanding and intense the work is, what are the existing working conditions (work modes, shifts and difficult and unhealthy work environment), the length of the working week and the results in fulfillment of economic development tasks in individual branches. To make for more objective comparison production branches, the factor analysis method was used. This method uniformly evaluates critical factors of the type of work, working conditions, and specific developmental tasks based on the Eighth 5-Year Plan (labor productivity growth, export tasks). As regards the services and maintenance sectors, a method of comparing earnings for typical functions with similar specialized and labor intensive activities (occupations) in the production branches is used;

--in the course of adjusting wage relations within national economic branches it is necessary to respect the fact that:

a) a long term ongoing appraisal of the amount and quality of work, particularly a uniform tariff policy, means that a deviation in average wages in individual sectors is not significantly disproportionate (such disproportions would be characterized by deviations from the uniform appraisal of the type of work and working conditions within  $\pm 20$  percent); conditions are created for the effective application of economic incentive and continuous replacement of labor in all branches;

b) wage relations between branches can be influenced only by the differentiation of the average nominal wage growth because unlike wage differentiation in case of individuals, the changes in inter-branch relations cannot be accomplished by a basic rearrangement of the nominal wage standard already reached;

--during the creation of the Eighth 5-Year Plan, the inter-branch wage relations were adjusted by differentiation of the average wage growth, while setting binding standards and limits on accrued wages. A real development of inter-branch wage relations will be directly affected by the dynamics of the average wage growth in individual branches, contingent on the creation of accrued wages according to the progressiveness of the tasks within the plan, actual economic results and economical utilization of labor.

Analyzing the main factors of inter-branch wage differentiation, the following specific recommendations for the 5-year plan were made (the level of the average wage projected by the 1985 plan is used as the base):

--we maintain the priority position of fuel extraction achieved through the implementation of a socio-economic program during the Seventh 5-Year Plan; in the field of power generation industry we make sure that the nuclear power plants' share continues to increase. The nuclear power plants require a gradual improvement in the employee qualification structure and thus, it is to be expected that the growth of average wages there will be on the same level as in the average national economy;

--in the field of metalworking and processing industry (metallurgy, machine building, chemical and consumer industries, construction and food industries) the following should be considered:

- a) the wage conditions in these branches correspond to each other;
- b) the wage differentiation reflects the differences in job specialization and working conditions;
- c) these sectors have the ability to increase resource formation by exceeding the planned tasks and thus accelerating the growth in average wages. Therefore, in these sectors the difficulty of developmental tasks in the growth of the dynamics of labor productivity and the extent of priority tasks (mainly securing export) are all critical factors in inter-branch wage differentiation;

--in construction, we pay attention to the worsened wage situation over the last ten years and observe how the change in the work structure could influence it, and encourage efforts to significantly shorten the construction deadlines. Therefore, in the Eighth 5-Year Plan, the expectations are that the wage growth dynamics in the building industry will be higher than in the national economy as a whole. At the same time, the factor which significantly influences the wage standard and the dynamics in construction--the participation in integral projects in the USSR--should be planned and evaluated independently;

--in the state sector for agriculture and forestry, we maintain the present wage situation, i.e., we expect approximately the same wage growth as in the national economy;

--in the maintenance services (transportation, communication and local economies), we expect the growth of average wages to be slightly greater than the average in national economy, taking into consideration the smaller share of the incentive component, unattractive work rules, excessive overtime (in transportation) and limited possibilities to exceed planned tasks and thus create surplus wage funds;

--in the retail trade and public food services, we expect improvement of the wage situation and faster growth in average wages in this sector because they are lower than occupations with comparable qualifications and working conditions in the production sector. In the systems of retail trade and public food services, the internal differentiation is more significant than in the production sectors. The wages of the lower grade employees in these systems are obviously lower than the wages of a worker in production with similar type of job (circa by 7 to 10 percent); in contrast, the wages of managers (store managers for example) are higher than those of comparable professionals (circa by 10 percent);

--in the sciences and social services sector (centrally controlled research and development, education, health and social security and culture and administration), we assume a quicker than average wage growth than in the national economy and, therefore, we must react to the known problems in wage relations and to the limited possibilities of increasing their growth to above the planned level; we must expect a justified wage differentiation in the sciences and social services sectors; to prevent the wages from lagging behind the production sectors.

In order to adjust inter-branch wage relations in the Eighth 5-Year Plan, it is assumed that the wage developments in the individual sectors will be regularly evaluated and, in case of more serious deviations, reported to the government as improvement proposals. We must keep in mind that adjusting inter-branch wage relations must not cover up the flaws in tasks fulfillment in individual sectors nor slow down wage growth, if it is substantiated by profits exceeding the plan and full funding from the earnings. Analyze in detail the effectiveness of wage systems and earnings in some sectors (for example, in the centrally controlled research and development) and evaluate the implemented wage adjustments (for example in education and health services). Contingent on the creation of assets, create resources for accrued wages in the comprehensive wage plan, to be used to cover the increase in special purpose incentives focused on the support of key intensification and development tasks in the priority sectors and economic activities (for example, improvements in foreign exchange effectiveness) and on the implementation of justified wage regulations, prepared on the basis of detailed analysis, mainly in the sciences and social services and production sectors.

#### Wage Adjustments

The process of adjusting accrued wages (by wage regulations) is contained in the corresponding directives (Footnote 1) (Notice of the Federal Ministry of Labor and Social Services) and is accomplished in accordance with measures to

improve the system of planned control of national economy after 1985. (Footnote 2) (CSSR Government Decree No 234/84) The concept is based on the following principles:

a) to strengthen the basic link between wages and economic results which have proven themselves in practice and which exert pressure to save material, energy and labor, mobilize domestic resources and accept challenging tasks in the plan; to this end the following is being done:

--in the majority of economic organizations, the linkage of wages to adjusted value added is invoked and the use of deviation indicators, which strengthen the organizations' economic incentives to conservation, work quality, productivity and efficiency, is possible;

--binding relations (standards and accrued wages limits) with the criteria for economic results are consistently created through a form of volume quantities; this provides an incentive for productivity growth by rational economizing and utilizing labor in a manpower saving manner;

--counter-planning using more advantageous wage rates is supported, while taking into account the necessary social gains (production which ensures the desirable utilization and savings of material inputs in the plan);

--the process of transferring the remainder of the compensation fund from one year to the next continues during the 5-Year Plan and ensures a link between the results of individual years.

b) to increase the effectiveness and forcefulness of the regulating system and for that reason:

--economical wage development is reflected in the binding standards (limits). As a result, the planned wage accrual is contingent on the fulfillment of demanding tasks of increasing productivity and work efficiency; thus, the pressure to save labor also increases;

--in economic organizations where conditions, favorable to the implementing of binding standardizing relations between the growth of the volume of accrued wages and the growth of criterial indicator of economic results (usually adjusted value added) during the 5-Year Plan, will be created;

--the pressure is increased to improve production quality by intensifying use of penalties for poor quality production and to adhere to price regulations (by decreasing criterial indicators by an entire extent of losses and penalties for not adhering to the pricing structure);

--the demands of individual employees are more closely connected to the organizations' wage accrual; in addition, when the volume of wage accrual is exceeded, the bonuses and rewards to the employees are decreased (depending on the amount of responsibility of the employee and his influence on the results);



--mandatory wage accrual reserve is created in the amount of 1 percent of their planned volume; this reserve includes the excess from the special compensation fund from the previous periods; the reserve is supplemented to reach the minimum level from the current wage accrual.

c) to simplify the mechanism for wage accrual--in this case, in the sense of one criteria indicator (the so-called "one component system") which thoroughly removes the duplication of present result evaluations; the extent of supplementing the increase and curtailing the usable volume of wage accrual is narrowed down, pertaining only to the results of economical use of rare fuels and electrical energy, to credit subsidies and sanctions (particularly pressure on rational inventory management), to paying out bonuses for discoveries, inventions, improvements and solving particular subject tasks and to some specific branch areas; the system of contingent indicators and conversion coefficients is simplified.

d) to secure a socially justifiable level of guaranteed wages; in case of a non-fulfillment of criterial indicators, the total volume of accrued wages is decreased by 8 percent.

It is expected that in the course of the 5-year plan, new elements will be evaluated in the system of regulating accrued wages, leading to further strengthening of economic pressure and the simplification of the mechanism by bringing closer the relation between wages and results, by applying the relations to the indicators which express comprehensive gains (including the possibility to use the indicator which would reliably evaluate the economic organizations' total contribution to the creation of national income).

#### Improving the Wage Systems

The basic goal is the practical implementation of the merit principle in the compensation system. This requires mainly a consequent implementation of the second stage of the increase of the wage system's economic effectiveness (ZEUMS); the broader application of the teamwork organization and compensation will play a fundamental role.

The ZEUMS program, which was introduced gradually during the Seventh 5-Year Plan, remains one of the key objectives for the first years of the Eighth 5-Year Plan--after the implementation of the second stage in the main production branches of maintenance services and in the agricultural cooperative sector. In the course of preparing and implementing the program in individual sectors, it is necessary, on the basis of recent experiences, to secure mainly the following tasks:

--to attain a better quality of the standardization base, with the goal of establishing a uniform system for creating, improving and applying the technical and economic standards in the organizations as a base for the enterprise internal management, the khozraschet [cost accounting system] and criteria for work accomplishments and compensation; in addition:

1) to extend gradually the technical and economic standardization so that it ensures the main areas of material consumption, the use of capital assets, labor and financial resources;

2) to continue to improve the quality of standards; to include in the standards an attainable level of technical, organizational and economic conditions for production and labor and thus make them into challenging criteria for efficiency and quality of work; to ensure that changes in technical and economic conditions are continuously reflected in the standards;

3) to apply technically and economically justified standards to economic practice and to create the necessary politically organizational and technical preconditions;

--to expand the effectiveness of wage incentive and thus:

1) to aim bonuses and compensation at the most demanding and priority tasks of individual work shops; to secure the highly individual focus of the tasks according to the specialization of work teams and individual's responsible for their fulfillment; in the interest of challenging and unifying measures, to utilize technical and economic standards to their greatest extent;

2) to use the wage system to ensure justified compensation differentiation, according to the difficulty and significance of the tasks and the actual labor and management results;

3) considering all aspects, to utilize the effects of the incentive systems to motivate the immediate work results and output (by means of piece rate, hourly, mixed and share wages, bonuses and compensation), the longer-term work results, reliable efficiency and development of work initiative (by means of personal evaluation) and the interest of work groups in the total effectiveness of the organization's management (by means of contributions to the economic results);

4) in connection with the objective tendency to extend the team type organization of production and labor, to apply extensively the team compensation system, which supports mutual cooperation, stimulates comprehensive work results and simplifies the compensation system; and to ensure that the wages of the individual correspond to his contribution to the team results;

5) to experimentally test and gradually broaden the new wage systems, particularly the ones that combine wages into a smaller number of components and the systems based on a longer term dependency between the output and earnings (the basic task wage, standard bonuses, etc.);

6) to simplify the management and practical application of the wage systems; to increase the legal authority and responsibility of organization's managers while they are in the process of actively using the systems; to use the proclamation of the Federal Ministry of Labor and Social Affairs from 1986 in the application of the wage systems;

e) to strengthen the role of the tariff wages as a basic instrument of personal economic incentive and wage differentiation and to harmonize its practical

functioning with the needs of economic and technical production development; in addition, mainly:

1) within the framework of the increased authority of the organization's managers, to utilize the possibilities created by the adjustments of the tariff system for a more significant compensation and wage differentiation for creative and effective employees of the pre-production stages, for the direct production control, and for the fully qualified workers and technical and economic employees, who show consistent work results;

2) to combine the application of new tariff conditions with the good management of the reward system (classifying employees into tariff classes, paying bonuses, wage supplements etc.) and with a general application of work, technological and wage discipline;

d) [sic] to combine the preparation and application of new working and wage conditions with the pressure to increase the planned labor productivity growth and management effectiveness, and consequently ensure the relations between labor productivity and average wages as planned;

e) to secure a comprehensive preparation of the organizations for implementing the new conditions and to use as a base the criteria determined by the CSSR government; the progress in individual organizations is to be evaluated in detail by the VHJ control commissions, departments and the Government Wage Commission;

f) at the level of the central agencies, at the VHJ and the enterprises, to purposely control the procedure and implementation of the second stage of the program according to the plans for political-organization provisions and according to the principles of a uniform procedure.

The personal economic incentive for managers at economic organizations is a significant component of the wage system. It focuses on the support in incorporating higher levels of tasks into the plan while focusing individual incentives according to work specialty and responsibility of managers and a comprehensive evaluation of the results and standard of management. In the course of the 5-year plan, the evaluation of the systems, intensely focused on the motivation in the comprehensive management results, is expected.

In the science and social services sectors, the improvement of the wage systems, combined with rationalization, increased effectiveness and quality of management and better economizing and mobilizing of the sector's own resources is anticipated. An effort will be made to purposely narrow the gap between the wage systems in the entire national economy, while paying attention to substantive peculiarities of individual economic sectors. Efforts will also be made to simplify the wage systems, limit the number of wage directives and simplify the administrative aspects of the wage agenda.

It will not be an easy task to reexamine the wage preferences given in regional areas to particular groups of employees or at particular construction sites and make them conform to the national priorities, rational distribution and stability of the work force.

A future objective is to prepare the concept of improving the system for compensating workers and technical-managerial employees for the period after 1990. This objective strives to improve the entire compensation mechanism, to decrease the wage components and other rationalization of wage directives.

The objectives in developing the teamwork organization and compensation are included in the common principles of the government and the Central Union Council, approved by the Government Decision No 39/85.

The work brigade system makes it possible to incorporate important intensification resources into the economic and social development, mainly by improving labor productivity and production quality, by becoming more economical, making the full use of working hours and improving production, technological and work discipline. This can be accomplished by changing the individual's and work team's approach to work, economizing and wage differentiation. By the end of the Eighth 5-Year Plan at least one third of the worker groups should be incorporated into the Work Brigade System. However, in order to accomplish this, it is necessary that the experiences of the leading brigades be made available on a mass basis and become an example of a harmonious joining of personal group interests with documented social contribution. It is also necessary to interconnect more closely the extensive use of the brigade system into the improvements of the enterprises' internal management, using the khozraschet principle, and thus increase employees' participation in the management system.

#### Wage Policy Management

While managing and implementing the wage policy, it has to be taken into consideration that the key individuals for implementing the merit system and pay differentiation are the managers, foremen and brigade leaders and that the direct participation of work teams in the employee merit rating, evaluation and compensation will be increasing. In addition, it will be necessary to intensify the pressure of economic, political and ideological education and personnel conditions to make rational decisions and to emphasize social interests in the wage policy. It is necessary to continuously clarify the principles and objectives of the wage policy and make uniform the approaches of state, economic and union organizations in meeting these objectives.

The setting up of branch (sectoral) wage programs is also expected. Their objective is to determine the focus and development of wage motivation and differentiation, according to specific conditions and tasks within the branches as well as subsidiary units (economic production units, enterprises).

Better effectiveness of the objectives and measures of the wage policy requires:

--securing a close cooperation of state, economic and union organizations and developing [new] forms of team and group work;

--focusing research and development on regulating the distribution processes, on the position and function of wages after 1990 and on the relationship between the compensation system and the character and contents of work during this period;

--improving the analytical process aimed at wage development, differentiation and effectiveness; in addition, ensuring the necessary socio-economic and statistical data;

--ensuring a constant wage control on all levels of management, focusing particularly on the merit system, following measures of the wage regulation and wage discipline; improving across the board the management system controlled by the national committees.

The basic objective of the wage policy for the Eighth 5-Year Plan is based on the principle that it is possible to increase wages and the living standard of the working people only by getting better work results and improving management of individuals, work units and organizations. The objective is to fulfill the task approved by the 17th CPCZ Congress: to reinforce the awareness that honest work is the only means to achieve creation of values for society and to increase the living standard of each working individual.

12993/12859

CSO: 2400/242

## METALLURGY, HEAVY ENGINEERING INDUSTRY RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 21, 1987 p 2

[Article by Vladimir Svoboda, employee of the Central Committee of the Czechoslovak Communist Party]

[Text] To consolidate conditions within the department of the Federal Ministry of Metallurgy and Heavy Engineering Industry, creative activities of the work collectives are being used to discharge the socialist obligations to fulfill this year's plan ahead of time, that means by December 22, and to exceed basic indicators by 0.5-1 percent. This also supercedes the announced program objectives, that is, the uniformity of production and producing a 25.5-26 percent share in the first quarter and a 51.5-52 percent share in the first half of the year.

Considerable attention was given to the detailing of the Intensification Program. It contains significant systematic measures for organizational and directive activities, which express the precepts for a successful realization of the Eighth 5-Year Plan in the individual operational plans as well as in their quarterly intermediate stages. All that also brings practical results. For example, during the stage of drafting the plan, a counter plan was adopted in plants, enterprises and economic production units, oriented mainly toward qualitative indicators.

The results achieved in the department during the 1st quarter nevertheless did not reach the usual level achieved during previous periods. Some are keeping within the boundaries of the program objectives, but in export to socialist as well as nonsocialist countries and in the internal capital investment, for example, they are below the 20 percent limit of the yearly plan. The lower dynamics as compared to 1986 are also unsatisfactory. During the course of winter, the entire metallurgy and ore mining branch had to cope with considerable problems. Nevertheless, at this time, as proved by the results in March and April, they were able to overcome the impact of winter after all.

Economic production units of the civil engineering industry, which in most cases did not achieve the assigned objectives, particularly merit a critical look. An exception is the economic production unit Kovohute and the economic production unit Czechoslovak Aeromechanical Works

Milevsko, which fulfilled their tasks within 26-31 percent of the year, and the economic production units CKS and Sigma have kept their heads at least partially "above water." On the other hand, well behind are the economic production unit Ceps Brno, particularly its Kralovopole Engineering Works Brno, and the economic production unit Czechoslovak Wagon Works Poprad--and its plants in Poprad, Studenka and in Ceska Lipa.

The reasons for these unfavorable results lie in the deteriorating conditions caused by a long winter and in interruptions of railway transportation. Another one of the objective reasons was the break-down of the oxygen plant Nova Hut Klementa Gottwalda, which has an impact on a number of projects in the Ostrava region. All this placed great demands on all the branches of the department, and a considerable portion of energy resources, earmarked for production in the following quarters of the year, was used up, which has an unfavorable impact on the growth of economic indicators.

One of the main subjective reasons is the marked decline of concentration and attention of management compounded with an often incorrect understanding of the restructuring of the economic mechanism. In comparison with previous years, there is less equivalence between the individual economic production units in fulfilling their share of assignments, and, what is more, the dynamics and the quality of production have also declined. And one cannot blame all this on the long winter of this year. Not all organizations are consistently using the systematic measures, and the level of the enterprise subdivision management is not sufficiently high to be equal to the new tasks and conditions of the Eighth 5-Year Plan.

An important role in mobilizing the forces and means to fulfill this year's plan was played by the departmental political-economic aktiv which took place in March, and which underlined the responsibility of all the management units in the total organizational structure. Above all, the point is to overcome inadequacies in the sources of efficiency; there has been no success in reducing labor intensiveness, time is not being used to the best advantage, and in places a more forceful work activity is missing as well.

As far as export to socialist countries is concerned, because of the high number of orders per year the necessary action has to be taken concerning trade and supply sections in enterprises and general management, whose inconsistency in doing their job caused the unfavorable results. This applies primarily to economic production units of the civil engineering industry.

The situation in deliveries to nonsocialist countries is serious because so far a considerable portion of them has no contractual basis, and foreign prices are falling. Foreign trade enterprises and technical production bases of the department are therefore cooperating in their efforts to quickly find a solution. To obtain the necessary foreign exchange and payments from the free currency areas, it will be essential

to export a greater amount of metallurgical products than was originally anticipated.

For the purpose of fulfilling the plan in the 1st quarter, the Kralovo Pole Machine Works Brno and the economic production unit Czechoslovak Wagon Works Poprad instituted an internal control regime and a consolidating program approved by the advisory board of the minister; its effectiveness should become evident very soon.

During the first 3 months of the year--within the framework of given conditions--one can appreciate the effort in the supply and demand relations to give priority to deliveries of the mandatory range of products. A positive aspect of the civil engineering industry in particular are the generally good results of the macroeconomically most important actions. The last block of the nuclear power plant Dukovany is being readied to go into operation ahead of schedule. A satisfactory situation also exists in deliveries of consumer goods, not only in volume, but in the range of goods as well.

The April accounting, however, shows that thus far the quality of fulfilling the plan is not being improved. At the same time, current prognoses lead us to believe that an absolute majority of the departmental organizations will be able to manage the assigned tasks of the first half of the year, as well as the assigned goals aimed at overfulfilling the plan for 1987.

The starting points for overcoming the negative tendencies were indicated already by the above mentioned political-economic aktiv, but primarily they stem from the consultations of the ministry authorities and the general managers of the economic production units. The basic policy, however, must be a demanding and consistent realization of the intensification programs in the economic production units and particularly in the enterprise subdivisions, not only in the economic area, but also in the technical, production, and marketing spheres. At the same time, it is essential to enforce a full enterprise subdivision khozraschet down to the smallest work collectives.

The course of the coordinating consultations of the chairmen of the all-enterprise committees of the Czechoslovak Communist Party and basic party organizations of the department of the Federal Ministry of Metallurgy and Heavy Engineering clearly showed that this year's balance sheet will be of fundamental importance for the final accounting of the entire Eighth 5-Year Plan. Therefore, in connection with the results of the first 4 months and on the basis of the resolution of the CSSR government and the presidium of the Central Committee of the Czechoslovak Communist Party concerning the plan for 1987, it will be necessary to resolve more intensively the current problems, primarily those in export. It is essential that the party organizations in the ministry, the economic production units, and in enterprises speedily assess the relevant measures and approaches in the economic line and the questions concerning this year's plan, and place the preparations for next year on the agenda for the discussions by the All-Factory Committee of the Czechoslovak Communist



Party, and the May and June meetings of the basic party organizations. At the division level of the Central Committee of the Czechoslovak Communist Party and in cooperation with the appropriate Disciplinary Committee of the Czechoslovak Communist Party, special attention was given to the adoption of party measures to analyze the causes of the failures in the Dralovo Pole Machine Works Brno and the economic production unit Czechoslovak Wagon Works Poprad and to the approved consolidating programs.

12605/9190

CSO: 2400/339

## INVESTOR, CONTRACTOR MUTUALLY RESPONSIBLE FOR MODERNIZATION

23000358a East Berlin WIRTSCHAFTSRECHT in German No 3, 1987 (signed to press 12 Jun 87) pp 72-74

[Article by Prof Dr Peter Freund, "Otto von Guericke" Technical University Magdeburg: "On Investor-Contractor Cooperation in Working Out Complex Modernization Solutions"]

[Text] To meet their increased responsibility for ensuring that their modernization efforts are of a high scientific-technological level, investors and contractors must collaborate in the preparatory phase of designing complex modernization solutions as if they were engaged in a largely uniform decision-making process.

The resulting new quality of such a collaboration must be protected by law in different ways.

For a long time, modernizing our capital stock, as the form of capital reproduction most suitable for achieving comprehensive intensification, has been an important basis for increasing our economic productivity. This is why the implementation directive for the 1988 Economic Plan stresses again the need to utilize, effectively and on a priority basis, all available materials and financial investments for the rationalization and modernization of existing capital stocks in order to ensure a high increase in productivity. "It is more and more a matter of utilizing effective solutions which ensure through the modernization and rationalization of existing capacities, especially key technologies, high economic benefits in a short time at minimum investment costs." (1)

In general terms, the issue in this form of capital replacement is to see to it that every complex modernization project(2) is designed to further the intensification process. Usually, this is only possible if the conceptualization of the modernization solution is the result of a scientific-technological achievement or, at least, based on latest scientific-technological findings. This basic requirement also applies to cases in which enterprises in the capital-goods and construction industry are included, on a contractual basis, in the project preparation and execution, which will be the rule for complex modernization projects.

## On Investor-Contractor Responsibility for Ensuring a High Scientific-Technological Level of Modernization Solutions

Research has shown that the transition to modernization as the principal type of capital stock reproduction, in practice, has also been accompanied by developments that may have had an adverse impact on the efficiency of modernization projects. Thus, contract negotiations on involvement in documentation preparation have demonstrated that the system-building and capital-goods industries hold the investor responsible for the scientific-technological level of the modernization project. In so doing, they refer to the well-known legal view which assigns overall responsibility for modernization, especially during the preparatory stage, to the investor.(3) It also mentions that, because of central orientation, it is the investor who must develop and manufacture an increasing share of the equipment needed for the modernization project by manufacturing his own rationalization goods. It is well known that the Eleventh SED Party Congress directive on the GDR's 5-Year Economic Development Plan for 1986-90 stresses above-average development of the rationalization capital sector and for making it the key element of modernization and automation.(4) This would lay the basis for manufacturing, by 1990, an average of up to 25 percent of all equipment needed for modernization by using our own capacities. Finally, it also argues that the efficiency of the modernization solution is largely dependent on existing equipment and installations, for which the investor, as the operator, must be held responsible.

On the one hand, there is no doubt that such views also reflect a lack of legal knowledge or other subjective short-comings in implementing the legally established contract responsibilities. For instance, if a capital goods manufacturer states in response to a modernization request from an enterprise that he cannot provide a rationalization solution for a specific modernization problem, while pointing out that a manufacturer has been able to solve the same problem and that, therefore, the interested party should contact him, then this clearly violates existing law.(5) Such views should be prosecuted with the necessary consequences. On the other hand, I believe it is legitimate to ask to what extent such developments are also an indication of the need to redefine the contractor-investor cooperation to ensure scientific-technological progress in by designing complex modernization projects under changing conditions. In this respect, we must again refer to the above-mentioned preparatory situation, in which combines and enterprises face the extremely demanding and complex task of increasing the productivity of key technologies through complicated modernization solutions. Here, it is no longer a question of the legal formulation of relatively isolated processes involving only one firm, but of mastering tasks that have significant repercussions for related areas. In view of this preparatory situation and because of certain qualitative changes, which will be discussed later on, I believe it is justified to assign, also legally, greater responsibility to the operator for ensuring a high scientific-technological level of the modernization solution. However, this does not mean that the capital goods producer has unlimited responsibility for ensuring a high scientific-technological level of the installations manufactured by him and of the modernization solutions he has to develop, but both are intertwined. For that reason, the given situation requires changes in the cooperation of the partners, particularly when a complex modernization project is being prepared.

In the majority of cases, the investor faces the task of ensuring simple replacement through modernization. Yet he also must accomplish important results in his intensification efforts. This he must do in such a way that the solution fits in with the rest of the installations and requires minimal construction changes. At the same time, the change must have a high scientific-technological and economic level. This raises the question of what distinguishes this situation from previous years and what requirements the cooperating partners must meet that go beyond the existing ones.(6) I believe that the nature and methods of the collaboration must take account, more strongly than before, of the greater opportunities the operator has. Transition to comprehensive intensification means new requirements for the operator, and they also change his professional profile. For examples, he is able to set up facilities to manufacture the rationalization goods himself, to employ trained technical maintenance personnel and improved operational equipment, etc. In time, the operator becomes an important source of experience on equipment performance, including its inherent problems.(7) If this operator becomes an investor in a complex modernization project involving equipment he is taking care of, then this experience must be utilized in his collaboration with his partners, including capital goods manufacturers. As many successfully completed modernization projects have shown, such an investor can no longer be compared with an investor in the traditional sense. His position has undergone a qualitative change. He no longer is "only" the capital user, but to some extent, part of the process of replacing it. An expression of this new position must be the obligation that he contribute his knowledge and experience to the solution conceptualization process and, building on them in most cases, do his own scientific-technological work.

These specialized investors now deal with contractors who have the unlimited legal obligation to manufacture their goods at a high scientific-technological level and to design and offer modernization solutions for equipment he has made in the past.(8) Here we have a contradiction, which can only be resolved, I believe, by combining both capabilities, and that should also be supported by the law. Such a combination is also imperative for achieving our main goal, i.e., to use modernization as the form of capital goods replacement that is best suited for comprehensive intensification. This is particularly true because, under the above-mentioned conditions, project preparation can only be effective if partner collaboration can be structured in a way that makes it one process of knowledge and experience. In this collaboration, the intellectual-creative component is more and more becoming the dominant factor. There is evidence of scientific-technological achievements and efforts to develop the preparatory documents being increasingly fused during the preparatory phase.

#### On Legal Protection of the Effectiveness of Complex Modernization Solutions

What does this mean in terms of the legal work we have to do? In my view, the aforementioned does not prove that there is no economic justification for accepting demands for shifting the responsibility for protecting the scientific-technological level of the modernization solution. Inclusion of a project in the preparatory plan and selection, according to plan, of capital-goods and construction-industry enterprises enable the investor to make realistic demands on his contractors. The same holds true for the latter's obligation to ensure a high scientific-technological level of the modernization solution. It does not diminish because the investor contributes his knowledge and experience and must develop and manufacture part of the jointly

conceptualized solution with the help of his own capabilities. Hence, the contract must make sure that, as a prerequisite for acceptance, the contractors must prove to the investor that they can be used as part of the complex solution. Therefore, it is unacceptable to limit this proof to individual parts. The same should apply to the warranty obligation. The contract should, therefore, be written in a way that takes account of the principle that the solution, conceptualized in the preparatory phase, has the support of all participating partners and that the performance of the investor becomes part of the performance of the respective contractor because this is the only way to guarantee the necessary complex responsibility of the respective equipment manufacturer. However, this complex contractor responsibility is not relevant to the extent that the causes for the lower performance is outside the solution, e.g., in cases where unsatisfactory performance by the solution is due to deficiencies in the remaining equipment for which the contractor bears no responsibility.

It follows that any contractor attempt to have his contractual performance excluded must be vigorously opposed. The above-mentioned examinations have also found that the practice of using more investor efforts to manufacture rationalization equipment in order to compensate for contractor performance exclusion is not acceptable. Otherwise, the actual goal of building better rationalization goods is lost. Capacity bottlenecks must be resolved by increasing efficiency measures in the individual enterprise itself. Only in justifiable exceptional cases should the possibility of building rationalization equipment be used to compensate for capacity problems.

The new type of partner collaboration, based on more contractor responsibility, should be protected by law in a differentiated way. For instance, agreement on collaboration principles could be written into a coordination contract, that would force the partners to make the investor's and contractor's combined efforts during the preparatory phase a targeted intelligence process. Such a work-sharing process requires strong management and a great variety of coordination efforts that are primarily the responsibility of the investor. But there are other forms that could be explored. For instance, the large variety of management processes also seems to justify the design of, and contractual agreement on, a special management tool which basically is similar to a product-requirement specification booklet, but which is very complex in character.(9) With such a management tool, it would be possible to manage and coordinate intellectual-creative work processes while ensuring that the necessary coordination and management decisions are binding.

#### FOOTNOTES

1. Cf. joint directive of the SED Central Committee Politburo, the GDR Council of Ministers and the FDGB Presidium on work on the 1988 Economic Plan and detailed discussions with the workers of objectives and tasks. NEUES DEUTSCHLAND, 5 May 87, p 3 (B), partic. No 4.

2. The following addresses primarily issues involving the development of complex modernization measures that are subject to legal regulations for investments.

3. Cf. Para 2, Section 5 of the 23 May 86 Decree on Investment Preparations. LEGAL GAZETTE I, No 17, p 197.

4. Cf. 11th SED Party Congress directive on the 5-Year Plan for the Development of the GDR Economy during 1986-90, Berlin, p 67.

5. Cf. Planning Order, Part B, Section 4, No 4.6, (LEGAL GAZETTE, Spec. Issue No 1190 b), Order No 3, 27 Feb 87, on the GDR 1986-90 Economic Planning Order (LEGAL GAZETTE I, No 8, p 67).

6. Cf. G. Strassmann/J. Zickelbein, "Legal Aspects of the Preparation and Implementation of Re-Equipment Projects," WIRTSCHAFTSRECHT, Vol 2, 1983, p 3.

7. A complex modernization is usually preceded by much contractor work relating to maintenance, detail improvements, part modernization, etc., resulting in equipment changes and in the contractor acquiring important experience.

8. H. Koziolk mentions the requirement for equipment manufacturing combines and enterprises to develop scientific-technological solutions for modernizing machinery and installations manufactured by them in the past as well as providing appropriate modernization groups. Cf. H. Koziolk, "The Socialist Planning Economy of the GDR and its Continuing Perfection," WIRTSCHAFTSWISSENSCHAFT, Vol 9, 1985, p 1298.

9. On the issue of how to handle the increasing complexity of production preparations, the economics literature speaks of the importance of so-called "systems specifications booklets," which could also be used for the processes covered here. Cf. W. Heyde/G. Pieschak/H. Sabisch, "Complex Production Preparations-Requirements for Comprehensive Intensification," WIRTSCHAFTSWISSENSCHAFT, Vol 5, 1986, p 651.

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## GREATER EFFICIENCY SOUGHT IN RECYCLING INDUSTRIAL BYPRODUCTS

23000358b East Berlin WIRTSCHAFTSRECHT in German No 3, 1987 (signed to press 12 Jun 87) pp 66-69

[Article by Prof Dr Klaus Guermann/Dr Helga Hennig, "Bruno Leuschner" College for Economics, Berlin: "Plans to Develop Secondary Raw Materials Economy through Effective Use of Responsibility for Accounts"]

[Text] Account responsibility [Bilanzverantwortung] for secondary raw materials should be determined in different ways in accordance with the specific replacement requirements of the secondary raw materials economy.

It must be based on the work-sharing character of the secondary raw materials process, the different possibilities of closing the materials cycles and the resulting need to include a number of responsible parties in the secondary raw materials economy.

The extent to which materials can be changed into a new form and how they can be used to promote economic growth by saving resources depends largely on whether it is possible to utilize the raw materials and materials, which are part of the economic cycle, in their entirety and to transform one unit of raw materials or materials into a larger endproduct. Fully integrated in this process is the extensive utilization of byproducts as secondary raw materials.(1) During the 1986-90 period, they are expected to contribute 14-15 percent of all major industrial raw materials supplies.(2) That requires further qualification of planned management of the secondary raw materials economy. Barz and Voss have already discussed some related basic questions.(3) The authors make it clear that, in the secondary raw materials economy, continued development of management and planning in terms of both substance and methods must always be linked to the continued elaboration of laws for this process.

Secondary raw materials accounting is the main planning method for byproducts and secondary raw materials. It expresses all activities to ensure the economically necessary proportions of byproduct supplies and byproduct utilization as well as the supply of, and demand for, secondary raw materials within the framework and as a component of the overall economic proportions in order to ensure that secondary raw materials make a maximum contribution to meeting the economy's needs for raw materials and materials. With this in mind, we have to ask about the nature of this responsibility and the bodies that are best qualified to discharge this responsibility. We have to start with the assumption that:

- there are objectively different ways to close the materials cycle,
- the processes in the secondary raw materials economy are characterized by division of labor, (availability, listing, processing, utilization) and
- for that reason, a variety of responsible organs (combines, enterprises, scientific-technological installations and their management organs), working on secondary raw materials processes and on closing the materials cycles, must be included. This shows how complicated it is to answer this question.

#### Problems of Assigning and Executing the Accounts Responsibility

Clear assignment and consistent execution of the accounts responsibility in the secondary raw materials area require that activities, which make it possible to plan and establish byproduct and secondary raw materials accounts and to coordinate, confirm, execute, control and make decisions on how to resolve accounting problems in this area, be defined in greater detail. This includes, in our view, the following activities:

- a) Insuring that all available byproducts are maximally included, i.e.,
  - seeing to it that the included supply of byproducts approximates as much as possible the actual supply, and designating currently unusable byproducts as so-called secondary resources,
  - listing them, as completely as possible, according to types,
  - rational organization of listing, especially in terms of their concentration,
  - influencing the design, according to plan, of the material-technological basis for listing.
- b) Ensuring optimal processing of byproducts into secondary raw materials, i.e.,
  - utilizing existing processing capabilities,
  - developing research and development topics on how to process byproducts as completely as possible into suitable materials,
  - influencing the development, according to plan, of the material-technological basis, including the establishment and expansion of production capacities for processing,
- c) Influencing the economically most efficient utilization of secondary raw materials to produce a high level of processing,
- d) Creating, as planned, byproduct and secondary raw materials reserves to bridge time, location, assortment and quantity discrepancies between the availability, processing and utilization of the materials.



e) Establishing, as planned, storage dumps and piles for byproducts to bridge the time discrepancy between the availability of byproducts and their processing.

f) Ensuring a complex accounting of primary and secondary raw materials to accomplish the efficient substitution of primary raw materials and materials by secondary raw materials, as well as efficient planning and accounting of the inherent proportions of the secondary raw materials economy, including its material-technological basis and the development and control of scientific-technological tasks, manpower use and skill structure.

At present, the relevant legal regulations do not yet address accounts responsibility activities. Analyses of the secondary raw materials accounting system indicate that the main emphasis is on the currently usable parts of the byproducts. However, this does not--at least not sufficiently--direct the accounting bodies to utilize these reserves for meeting the raw materials and materials requirements by transforming the byproducts into secondary raw materials. An analysis of the accounts responsibility for byproducts and secondary raw materials shows that the existing regulations merely refer to specific aspects of the accounts responsibility. For instance, it states that, as a matter of principle, the combine and the enterprise, in whose area the secondary raw materials are produced, are responsible for utilizing the secondary raw materials.(4) This assigns the responsibility for utilization according to the cause principle, which, however, must be replaced by the use principle, if the cause combine or the cause enterprise is unable to process secondary raw materials because of its specific production tasks. In that case, the processing must be organized with those economic units that need the secondary raw materials to ensure their production in material-technological respects.(5) The Accounting Regulation(6) says on this point that, in the case of substitutable primary and secondary raw materials, the accounting responsibility must be transferred to the accounting body that is responsible for the primary raw materials.

As a matter of principle, we agree that the existing legal regulations make the execution of the accounts responsibility in the area of secondary raw materials a central task of management. However, here we have the following problems:

It remains unclear who is considered the cause in the sequence of steps of the work-sharing reproduction process. It seems unjustifiable to charge all byproduct-producing combines and enterprises with the responsibility of using byproducts and with the tasks that go with it, regardless of their role in the work-sharing reproduction process. The example of textile byproducts demonstrates these problems. Textile byproducts come up

-- in the clothing industry in the form of textile cuttings,

-- in weaving and knitting mills in the form of yarn waste and textile cuttings,

-- in cotton and worsted-cloth spinning mills in the form of yarn waste, and cotton and wool waste, e.g., comber waste.

All these waste materials have common characteristics in the composition of their materials. Since byproduct utilization aims primarily at a maximum

exploitation of their substances, we have to ask the question whether the utilization of byproducts must be decided and resolved separately for and in every production step.

Apart from transferring the responsibility to the cause (independently from the just-mentioned problem), the Secondary Raw Materials Decree permits transferring the responsibility to those who utilize the secondary raw material. However, there is no adequate explanation of the criteria that apply in such a case.

The Regulation of the Accounting Decree leaves no doubt: it says that in the case of substitutable primary and secondary raw materials, responsibility rests with those responsible for primary raw materials accounting. Still, it is not applicable to all secondary raw materials, but only to cases in which the secondary raw material is used in the production process that produced the byproduct, e.g., scrap in metal production, waste paper in paper production. Nevertheless, in instances where a secondary raw material substitutes for several primary raw materials, the regulation is no longer valid. Thus, broken glass substitutes for glass sand, quicklime, soda, and kaolin, and several bodies are responsible (in the case of soda, the Chemical Combine Bitterfeld and for glass sand and kaolin the VEB Silicat Raw Materials Combine Kemmlitz). The situation is similar when a byproduct or secondary raw material is used in a variety of industrial production processes. For instance, sulphite waste liquor can be used for very different purposes:

-- Because of its high proportion of organical materials, it is possible to extract from it fodder yeast and alcohol (through yeasting, alcoholization).

-- By utilizing its adhesive properties and surface effect, sulphite waste lye can be used in the ceramics industry as a gluing agent, and in road construction as a concrete additive, as a dispersing agent for paint or a soil stabilization agent in agriculture.

-- By exploiting its heat value, sulphite waste lye, which has about 70-87 percent of the heating value of browncoal briquets and 125 percent of wood, can be used for heating.

These examples demonstrate that the existing regulations for accounting responsibility cannot adequately cover all waste products and secondary raw materials.

#### Prerequisites for the Differentiated Development of the Accounting Responsibility

We believe that, when assigning accounting responsibility, it is necessary, in the interest of high economic efficiency, to ascertain which bodies in the secondary raw materials accounting process are capable, because of their special expertise, to handle the complex balancing responsibility. In view of the different effects of many factors, such as:

-- the number of supply, listing, processing and utilization agents in our economy and the different place they occupy in the organization structure,

-- the varying importance of the industrial secondary raw materials processes in terms of the technology they use and its control, volume and the qualitative structure of the material-technological basis,

-- management views on the respective importance of the byproduct suppliers,

-- the different potential uses of byproducts and secondary raw materials and hence the possibility to close the materials cycle in different ways,

-- the availability of a large proportion of waste products in households,

a generally valid system for discharging the accounting responsibility can obviously not be established. Also, this would not take account of the different specific reproduction requirements of the secondary raw materials economy. This means the accounting responsibility would have to be formulated in terms of the types of byproducts and secondary raw materials. The basic premises for such a differentiation in the accounting responsibility should be:

a) The accounting responsibility should be given to the organ that is best qualified to handle the accounting responsibility in the most comprehensive, efficient and effective way.

b) The production principle also applies to the accounting responsibility in the secondary raw materials area. This means that, considering the first premise, the organs primarily or exclusively engaged in converting byproducts into secondary raw materials (i.e., in producing secondary raw materials) are highly qualified to handle accounting responsibility work.

c) If the accounting responsibility, based on premises a) and b), does not rest with the organ handling primary raw materials accounting, that does not mean that it is absolved from its responsibility to also guarantee the maximum use of secondary raw materials in primary raw materials and in materials accounting. This obligation is rooted in the general function of the accounting organ and its responsibility to ensure an effective supply, including the establishment of proportions, in line with economic targets, among the various supply sources.

d) Assigning responsibility for accounting and the execution of certain principles, related to the responsibility of individual organs for using byproducts and secondary raw materials and developing appropriate scientific-technological, material and financial prerequisites, are not identical.(7) The cause and also the use principle does not say that those who cause or use the byproducts must be an accounting organ, but only that it has to accept some responsibility for converting byproducts into secondary raw materials.

#### Variations in Handling the Accounting Responsibility

As part of its accounting responsibilities, the accounting body must codetermine, coordinate and control the contents of its related tasks; hence it has to have the appropriate rights and duties.

Based on existing criteria, we would like to discuss the following ways of handling the accounting responsibilities:

1. The accounting responsibility is handled by the accounting body for primary raw-materials in cases where there is a far-reaching identity between the byproduct and the secondary raw material, so that no separate processing is required, but where processing is identical to the utilization process and where the byproduct, the secondary raw material and the substitutable primary raw material or the material are part of the same material cycle.

2. The accounting responsibility is handled by bodies that process the byproducts and secondary raw materials. Here, the prerequisite would be that the byproducts are available in quantity, but are decentralized, and that they therefore have special material-technological requirements for a concentrated process to convert byproducts into secondary raw materials and require comprehensive scientific-technological work to complete it and, finally, that the secondary raw materials product becomes part of different materials cycles. In such instances, the processing enterprise or combine is a principal supplier of one or more secondary raw materials and would be predestined to handle the accounting responsibility in light of its role in the reproduction process.

3. The accounting responsibility is handled by the supplier, if the supply is available in quantity and in a concentrated form and if the conditions mentioned under 2) and 3) are nonexistent.

Special problems in regulating the accounting responsibility occur if the availability is decentralized, processing is done in a decentralized way in several economic areas and if the resulting secondary raw materials close the same or different material cycles. If the supply is decentralized, the accounting responsibility should not be given to one supply agent, because it he is not able to handle the multi-layered accounting responsibility activities under these conditions.

In our view, there are two decisive criteria for assigning the accounting responsibility to one of the decentralized processing areas--either the processed quantity of the byproduct is the largest share of the total byproduct supply or the conversion ensures a maximum materials utilization of the byproduct.

Transferring the accounting responsibility when the conditions for processing are decidedly decentralized is increasingly becoming a decision problem since, from the point of view of the comprehensive utilization of secondary raw materials reserves, all possible suitable capabilities must be utilized. This, of necessity, leads to some sort of tendency to decentralize processing.

Collection enterprises or combines (commercial enterprises) should be assigned the responsibility for accounting only under exceptional circumstances. Such an exception would, in our view, exist if the center collects a relatively homogeneous assortment, if it involves the concentrated utilization in a user area, and if the secondary raw material constitutes a very high share of the demand.

#### FOOTNOTES

1. By byproducts, we mean materials (production, circulation and consumption excrements) which have lost, partly or entirely, their original use as consumption or production goods or which, as a means or subjects of work, have

not discharged their expected use function and, as secondary raw materials, contain metallic and nonmetallic byproducts or waste materials which have acquired a new use and therefore can be reintroduced into the economic material cycle.

2. Cf. Directive of the 11th SED Party Congress on GDR Economic Development During the 1986-90 Period. Berlin, 1986, p 62.

3. Cf. H. Barz/S. Voss, "On Managing and Planning the Secondary Raw Materials Economy," WIRTSCHAFTSRECHT, Vol 4, 1983, p 194.

4. Cf. Para 7, Section 1 of the 11 Dec 1980 Decree on the Comprehensive Utilization of Secondary Raw Materials, LEGAL GAZETTE I, 1981, No 2, p 23, following the Secondary Raw Materials Decree.

5. Cf. Para 5, Section 2, Secondary Raw Materials Decree and others.

6. Cf. Para 5, Section 1, Decree of 15 Nov 79 on Materials, Capital and Consumer Goods Accounting (Accounting Decree), LEGAL GAZETTE I, 1980, No 1, p 1.

7. H. Barz/S. Voss and others underline this conclusion and emphasize the contents relationship between responsibility in line with the cause principle and the handling of the accounting responsibility.

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## DEVELOPMENTS IN 1979-86 FOREIGN TRADE CHARTED IN STUDY

Warsaw HANDEL ZAGRANICZNY in Polish No 2, Feb 87 pp 3-6

[Article by Marek Misiak: "The Economy and Foreign Trade in the 1980s"]

[Text] A year ago, I presented in HANDEL ZAGRANICZNY an evaluation of the development of foreign trade in the context of our country's economic situation in 1980 through 1985 in which two 3-year periods were reviewed (1). Using statistical data for 1979 through 1986, we can now compare two 4-year periods, i.e. 1979 through 1982 and 1983 through 1986, as well as estimated fulfillment of the Central Annual Plan for 1986.

To be sure, the growth of total exports in 1986, amounting to 4.6 percent in constant prices, was higher than in 1985 (1.3 percent). However, it was lower than in 1982 through 1984, when it ranged between 8.7 and 10.3 percent (see table 1). Compared to 1982, the volume of exports increased by about 28 percent, and compared to 1978--by more than 15 percent.

Total imports (in constant prices) grew in 1986 by 3.6 percent compared to 1985, i.e. 1 percentage point less than exports. This was the lowest growth rate of imports in the 1982 to 1986 period: lower than in 1985 by 4.3 percent, lower than in 1984 by 5 percent and even lower than in 1982 (by 1.6 percent). Over the 4 years in question, i.e. compared to the 1982 level, imports nonetheless increased by 27.7 percent, but were more than 11 percent lower compared to 1978.

In trade with the 1st payments area [socialist countries], exports in 1986 were approximately 32.8 percent higher than in 1982, and imports--somewhat over 20.6 percent. However, compared to 1979, exports were more than 35 percent greater, and imports--by over 15 percent. The quotas set by the Central Annual Plan for 1986 were overfulfilled in both exports (by about 3 percent) and imports (by more than 1 percent).

Thus, the influx of imported goods from the 1st payments area to the economy increased compared to both the levels from 4 and 8 years ago. At the same time, the Polish economy had to generate considerably higher exports, all the more so because the consequences of the increase of world oil prices in the late 1970s (as transmitted through the price arrangements in effect in the CEMA) were an unfavorable influence on our terms of trade with this area.

Table 1. Polish Exports and Imports

Rubric	Growth rates in percent											
	actual										plan ful- fill- ment <sup>c</sup>	
								plan- ment <sup>c</sup>				
	1979	1980	1981	1982	1983	1984	1985	1986				
	previous year = 100								1982 =100	1978 =100	1985=100	
1	2	3	4	5	6	7	8	9	10	11	12	13
Exports (in constant prices) to	106.8	95.8	81.0	108.7	110.3	109.5	101.3	104.6	127.9	115.3	.	.
the first area <sup>a</sup>	109.6	90.5	83.0	116.6	108.3	110.0	108.1	108.5	132.8	135.5	.	103.2
the second area <sup>b</sup>	102.1	105.0	77.9	100.9	112.4	109.0	93.5	100.9	125.6	97.5	.	101.4
Imports (in constant prices) from	98.8	98.1	83.1	86.3	105.2	108.6	107.9	103.6	127.7	88.8	.	.
the first area <sup>a</sup>	101.7	102.4	93.7	94.4	104.4	109.2	104.6	105.1	120.6	115.5	.	100.3
the second area <sup>b</sup>	95.5	92.8	68.5	75.8	106.6	107.4	113.4	101.9	136.9	60.7	.	113.0

<sup>a</sup> socialist countries in columns 2 through 8

<sup>b</sup> other countries in columns 2 through 8

<sup>c</sup> fulfillment according to the GUS [Main Statistical Administration] report in current prices; turnover with the first payments area in rubles, with the second payments area in dollars.

Source: the GUS report on the socio-economic situation in the country in 1986; Statistical Yearbook of Foreign Trade 1986; Statistical Yearbook 1986, as well as statistical yearbooks for the years 1980 through 1985; monthly tables by the GUS and the Ministry of Foreign Trade published in the weekly ZYCIE GOSPODARSTWA, as well as reports on the Central Annual Plan for 1986 and the National Socio-Economic Plan for the years 1986 through 1990 published in ZYCIE GOSPODARSTWA and RZECZPOSPOLITA.

Thus far, such consequences have been mitigated to a considerable degree by credit extended by the USSR for a segment of current trade. This, however, brought about an increase in our debt in the currencies of socialist countries. This debt amounted to 6.5 billion rubles at the end of 1986, compared to 5.6 billion in 1985 and 3.7 billion in 1982.

In trade with the 2nd area [hard-currency trade], the volume of exports in 1986 was about 25.6 percent higher than in 1982, but 2.8 percent lower than in 1978. In their turn, imports were about 37 percent higher than in 1982, but at the same time about 40 percent lower than in 1978. Therefore, the switch from a negative to a positive balance in trade with the 2nd payments area over the last 8 years was entirely due to import reductions.

Table 2. Selected Statistics of Polish Foreign Trade

Rubric		1979	1980	1981	1982	1983	1984	1985	1986
1		2	3	4	5	6	7	8	9
Breakdown of imports by end use (percentage share; total imports=100 percent)	use in production	67.9	70.1	71.9	71.3	69.8	68.9	68.2	ca. 65
	investment projects	16.9	14.5	11.2	7.4	7.7	9.8	10.2	11.0
	consumption by population	10.9	8.0	11.0	11.8	11.1	10.1	10.1	14.3
Debt	in the first area (billion rubles)	.	1.4	3.1	3.7	3.8	4.8	5.6	6.5
	in the second area (billion dollars)	20.0	23.0	25.0	24.8	26.4	26.8	29.3	33.5
Export-to-debt ratio in percent (debt=100 percent)	for the first area	.	.	.	183.8	205.3	179.2	167.8	158.8
	for the second area	40.2	36.9	21.7	23.0	22.7	23.5	20.8	19.4
Foreign trade balance	with the first area (billion rubles)	.	.	.	ca. -1.6	-0.5	-0.7	-0.7	-0.5
	with the second area (billion dollars)	.	.	.	ca. -0.1	+1.5	+1.5	+1.1	+1.1
Foreign trade balance with the second area as percentage share of debt		.	.	.	5.6	5.7	5.6	3.7	3.2

Source: same as table 1.

To be sure, the quota set in the Central Annual Plan for 1986 for exports to the 2nd payments area denominated in dollars was fulfilled. This, however, was due to a considerable decline in the exchange rate of the dollar relative to other currencies of developed capitalist countries. At the same time, this change in exchange rates was a factor in the considerable overfulfillment of the planned level of imports. The value of these imports in current prices (expressed in dollars) increased by 6.9 percent, despite the plan calling for a 5.4-percent reduction. However, the volume of imports for the currencies of capitalist countries increased by barely 1.9 percent.

We should also mention that the share of goods destined for the production sphere in imports denominated in the currencies of capitalist countries declined considerably in 1986 (by 3.3 percent). This was mainly the result of increased deliveries of consumer and producer goods on a clearing basis from some countries included in the 2nd payments area. For example, imports from China increased more than threefold in 1986, from Brazil--by approximately 50 percent and from Yugoslavia--by about 17 percent. Imports from these three countries combined amounted to about 20 percent of our entire imports denominated in the currencies of capitalist countries. As can be estimated, clearing accounted for one-fourth of our trade with the 2nd payments area. As it is, increasing significance of clearing is a mounting phenomenon in international trade. Our economy should anticipate this trend in the future as well.



Changes in the ratio of exports to debt are unfavorable (see table 2); this is the case in both payments areas. For the 1st payments area, the value of exports was greater than the debt (primarily to the USSR) by 58 percent. In 1985, this statistic stood at 68 percent, and in 1982--84 percent.

A somewhat greater decline in this ratio followed from the Central Annual Plan for 1986: it was envisaged that the negative balance of our trade with the 1st payments area would amount to 750 million rubles, whereas actually it was considerably smaller (by 38 percent) and barely came up to 468 million rubles. To be sure, the long-term agreement stipulates a progressive reduction of the negative balance so as to achieve equilibrium in our current trade with the 1st payments area before the end of this decade. However, in 1986 this meant underfulfillment of deliveries on credit planned for that year.

In relations with the 2nd payments area the value of exports amounts to barely 19.4 percent of debt denominated in the currencies of capitalist countries, whereas at the end of 1985 this statistic stood at 20.8 percent and in 1982--at 23 percent.

The still insufficient imports for the currencies of capitalist countries are the fundamental problem from the standpoint of the development process in the Polish economy. The shortfall of these imports hampers the growth of industrial production and national income. At the same time, the production sphere, and especially industry, are not in a position to respond to this situation by increasing their export capability so as to overcome effectively the obstacle presented by insufficient imports.

In 1986, exports to both payments areas outstripped the growth of industrial production by only 0.4 percentage points (see table 3). The growth of exports denominated in the currencies of capitalist countries trailed the growth of industrial production in 1986 particularly badly, as it amounted to only 0.9 percent (in constant prices), or 3.3 points behind the growth of production. In 1983 and 1984, the ratio of growth of exports for the currencies of capitalist countries to the growth of industrial production was relatively favorable: in the former year, the margin was about 6 points, and in the latter, still 4 points. In 1985, exports for the currencies of capitalist countries declined, whereas industrial production increased by 3.8 percent.

Limited potential for financing expanded imports is the result of this. In 1986, total imports grew somewhat more slowly than either industrial production or national income, whereas in the years 1983 through 1985 the growth rates of imports from both payments areas consistently exceeded the growth rates of industrial production and national income by about 2 to 4 percent. The main factor in the change of this ratio was that imports for the currencies of capitalist countries in current prices grew by 3.2 points more slowly than industrial production and 3.9 points more slowly than the national income. It was clearly [a case of] pressure for reductions in the import-intensiveness of production and national income rather than the result of intended structural changes (mainly actions directly forced by the shortage of funds, frequently even for the necessary imports).

As a result, in 1987 we have faced mounting difficulties in meeting the needs for materials of industries depending directly or indirectly on imports for the currencies of capitalist countries. Materials needed to maintain the continuity of production are lacking in many enterprises.

Table 3. Foreign Trade and the National Economy--Basic Ratios (changes in percent)

Rubric	1979	1980	1981	1982	1983	1984	1985		1986	
	previous year = 100								1982 =100	1978 =100
	2	3	4	5	6	7	8	9	10	11
Ratio of growth rates of industrial production to imports	+3.1	+0.9	+4.0	+13.9	+1.1	-3.0	-3.8	+0.6	-4.3	+17.3
Ratio of growth rates of agricultural product to imports	-2.1	-9.0	+24.9	+12.6	-1.8	-2.7	-6.7	+1.2	-10.8	+15.4
Ratio of growth rates of produced national income to imports	-1.1	-4.2	+5.9	+9.5	+0.8	-2.6	-4.2	+1.4	-4.5	+4.7
Ratio of growth rates of exports to industrial production	+4.8	-3.8	-6.3	+10.6	+3.7	+4.0	-2.4	+0.4	+1.3	+10.7
Ratio of growth rates of exports to produced national income	+9.3	+1.9	-10.1	+15.0	+4.0	+3.7	-2.0	-0.6	+4.6	+24.0
Ratio of growth rates of exports to imports	+8.1	-2.3	-2.5	+26.0	+4.8	+0.8	-6.1	+1.0	+0.2	+29.8

Source: same as table 1.

Incomplete supply of materials also brings about an excessive growth of merchandise stocks in many areas. In all socialized enterprises, the value of merchandise stocks at the end of 1986 amounted to over 5 trillion zlotys and was 1 trillion (23.5 percent) higher than at the end of 1985. Industrial enterprises are responsible for more than one-half of the stocks (2.6 trillion). In this sector, the stocks increased in 1986 by 23.6 percent, while stocks of finished products increased by 37.8 percent and of goods in production--by 25.8 percent. Meanwhile, increments in the stocks of materials (22.3 percent) and goods (22 percent) were lower. At the same time, there are numerous irregularities in the distribution of the stocks of materials among producers, consumers and the wholesale trade.

Table 4. Basic Macroeconomic Statistics

Rubric	Growth rates in percent											
	actual										planned	plan fulfillment
	1979	1980	1981	1982	1983	1984	1985	1986				
	previous year = 100 <sup>a</sup>							1982 = 100	1978 = 100	1985 = 100 <sup>a</sup>		
	2	3	4	5	6	7	8	9	10	11	12	13
Product sales in socialized industry	101.9	99.0	86.4	98.3	106.4	105.3	103.8	104.2	121.4	104.2	102.8-103.2	101.0-101.4
Global agricultural product (in constant prices)	96.7	89.3	103.8	97.2	103.3	105.7	100.7	104.8	115.2	102.5	101.0-102.7	.
Produced national income (in constant prices)	97.7	94.0	88.0	94.5	105.6	106.0	103.4	ca. 105	ca. 122	ca. 93	103.1-102.9	ca. 101.3-
Distributed national income (in constant prices)	96.3	94.0	89.5	89.5	105.6	105.0	103.8	ca. 105	ca. 121	ca. 88	103.0-103.2	101.8-102.0
Investment in the socialized economy (in constant prices)	91.3	87.4	74.4	84.3	109.6	114.1	107.6	103.7	133.5	69.9	102.4	101.3
Consumption of goods from personal income per capita	102.3	101.1	95.1	84.4	105.4	102.9	102.1	ca. 104.4	ca. 115	ca. 95	101.9	ca. 108.5
Average monthly wages in the socialized economy	109.0	113.4	127.3	151.3	124.5	116.3	118.8	120.4	207.0	493.0	112.4	107.1
Index of the cost of living of employees in the socialized economy	106.7	109.1	124.4	201.5	125.1	115.7	114.4	ca. 118	ca. 192	ca. 561	112-113	ca. 104.4-105.3
Average monthly real wages in the socialized economy	102.2	103.9	102.3	75.1	101.1	100.5	103.8	102.0	107.8	87.8	99.5-100.4	101.7-102.6
Spendable resources of the population	112.0	113.0	138.0	137.0	121.0	116.0	131.0	122.0	224.0	537.0	113.0	108.0
Spending by the population	109.0	109.0	117.0	167.0	131.0	122.0	118.4	123.3	230.0	556.0	116.8	105.6
Ratio of spendable resources to spending by population	47.0	49.0	58.0	47.0	44.0	42.0	46.0 <sup>b</sup>	45.3	.	.	44.5	.

<sup>a</sup> does not apply to the ratio of spendable resources to spending of the population (last line in the table)

<sup>b</sup> excluding revaluation certificates - 44.4

Source: as in table 1

Irregularities in the distribution of stocks and inadequate supply of consumer goods make it difficult to bring about equilibrium in the domestic market. This is reflected in more detail by the data in table 4.

Since 1982, industrial production and national income have indeed increased consistently and at a relatively high rate. Nonetheless, the results of this growth in the form of improved living conditions were not equally tangible. Despite rapid growth of prices, disequilibrium in the market persists, and the process of controlling inflation has been considerably slower than was envisaged by long-range and annual plans. We can even see a marked reduction of the pace at which inflation was controlled in the years 1985 and 1986 compared to 1983 and 1984. All of the following dampen the effect of growing production: persisting disequilibrium, its negative impact on the quality of products, rapid inflation accompanying the above and differential among the wages and monetary income of individual population groups and persons, caused by inflation (but not entirely) and often times unwarranted by changes in productivity and efficiency of labor.

[The effects of growing production] are also dampened by the pace of restructuring the economy, too slow in comparison with the stated intentions and social expectations, as well as such factors as delays in the investment processes and weaknesses in the system of economic operations. All of the above deprive the economy of an adequate capability to overcome the disequilibrium.

This capability should be expressed through the accelerated growth of supply for exports, as well as better structural adjustment to demand (which also includes improvements in quality). A resolute expansion of production earmarked for exports is also needed. After all, restrictions on supply imports caused by the shortage of convertible currency (all the more inopportune because the economic rules in effect thus far in this neuralgic field are too feeble) undermine the already weak management of the national supply of materials and cooperation, which has been reflected recently in the above-mentioned status of the stocks.

We will have to wait longer for meaningful results of restructuring in the economy and the impact of changes in the system of economic operations. Delay in the appropriate measures, however, has already caused a slowdown of the process of controlling the disequilibrium in 1985 and 1986 compared to 1983 and 1984. This calls for more radical appropriate actions in the current year.

#### FOOTNOTES

- 1) See Misiak, M., "Domestic and External Equilibrium," HANDEL ZAGRANICZNY, 1986, No. 2

9761

CSO:2600/747

## MEASURES TO IMPROVE FINANCING SYSTEM DESCRIBED

Bucharest REVISTA ECONOMICA in Romanian 5 Jun 87 pp 10, 11

[Article by Dr Florea Dumitrescu, governor of the National Bank of the Socialist Republic of Romania: "Measures to Improve the Finance System"]

[Text] The consistency is well known with which our party and its secretary general, comrade Nicolae Ceausescu, are pursuing and working for the continued improvement of the management and organization of all economic activities and the acceleration of the qualitative facets of economic development for the purpose of having a sustained development of the national economy and of raising the material and spiritual well-being of those who work on a lasting basis. Within the framework of these concerns, there is also the approval of the Political Executive Committee of the RCP Central Committee of the proposals concerning the improvement of the level of interest rates paid by banks in their dealings with socialist units and the public. Drawn up with the direct contribution of the secretary general of the party, the new measures fully correspond to the requirements of the current stage of intensive development of the economy and are based upon the positive results that have been obtained in the recent years in achieving the plan and special programs for economic and social development and in increasing national wealth.

The achievements made in our country in the development and diversification of material production, the increase in economic efficiency and the improvement in the standard of living, and the stability of all categories of prices, as well as the tasks outlined in the current five year plan regarding the continued growth in economic profitability on the basis of reducing production and distribution costs, of using material and financial resources with maximum efficiency and of ensuring financial-monetary balance and a healthy monetary circulation, create conditions for reducing in general the interest rates used in dealings with both the socialist units and the public.

The new measures to reduce the interest rates represent a new contribution to the continued improvement of the finance system of the national economy and to the generalization and application of the principles of the new economic-financial mechanism under better conditions. In connection with this, the report presented after the session of the Political Executive Committee of the RCP Central Committee on 30 April of this year points out that the establishment of measures to reduce interest rates in general in dealings with the socialist units and the public

"began with the need for the continued improvement of the financial and credit systems and the application of the principles of self-management and self-administration under better conditions, and with the fact that the interest rates should not be a means of obtaining income with work. The incomes of the state and the people must be based on work, profitability and efficient economic activities."

It is known that interest and credit represent important economic levers of the economic-financial mechanism which stimulates economic units in the careful use and responsibility for material and financial resources entrusted by society for administration and development, and contribute to ensuring monetary and financial balance and to having a healthy monetary circulation. The interest rates established in a socialist economic by the state in a planned manner--according to the conditions existing at a given moment and the specific objectives of each stage of development--must stimulate the interest of the enterprises in carefully using resources. Interest rates that are too high impact upon production costs, effecting the economic efficiency of the activities that are carried out, even in those units that fulfill their plan tasks and rationally administer the funds they have available. At the same time, rates that are too low reduce the enterprises' interest in the proper use of their own and borrowed funds.

Under the current conditions of the Romanian economy, when special stress is being placed on decreasing costs to those strictly necessary and when the enterprises are making permanent efforts to reduce material costs, a rational interest rate can and must lead to stimulating the workers collectives to obtain the best possible results in their activities.

The measures that have been approved refer to reducing the level of interest rates that are charged by banks for current credit for production and distribution activities, which are lowered by one percentage point in industry, transportation, research and design, foreign trade, supply and so forth, or in other works from five percent to four percent. For domestic trade and cooperatist agricultural units, the rate is reduced from three percent to two percent and from 2.5 percent to 1.5 percent, respectively. For credit involved in certain stocks of raw materials which provide for the energy and production processes, such as coal, coke, iron ore and non-ferrous ores already existing at the producers, the rate goes down from three percent to two percent.

For current credit given to the technical-material supply bases for the purpose of accepting certain available stocks at certain production enterprises and redistributing them to other enterprises, the rate has been lowered from three percent to two percent. The interest rates charged by the banks for credit that is extended--within the limits of the approved levels--to economic units not able to make payments to suppliers on time, has generally been reduced by one percent. For credits not repaid on-time by industrial, transportation, technical-material supply and service units, as well as other units, the rate has been reduced by three to four percent depending upon the branch of activity. For current credits for investment activities for projects that are being carried out within the planned timeframes for start-up, the rate was reduced from three percent to 2.5 percent, while those that exceed the planned timeframes the rate fell from five to four percent. For those investment projects that are going into

operation ahead of schedule, the rate will be two percent compared to 2.5 percent that was charged prior to these measures.

The interest rates that are paid by the banks on the funds available to the socialist units has been decreased for state and cooperatist economic units by one-half percent, from two to 1.5 percent. For funds of public organizations the interest rate paid is 1.3 percent.

For the people's savings deposited at the Savings and Loan Banks for a period of at least one year, the rate paid is 3.5 percent per year, and for short-term deposits 2.5 percent. The rates are 1.5 to two percent for other categories of deposits.

As a result of reducing the level of interest rates, new conditions are ensured for operating at a higher level of efficiency in the economic-financial mechanism and for stimulating economic, industrial, agricultural, transportation, scientific research, service, supply and sales, foreign trade and other types of units throughout the economy for the better achievement of plan tasks, the rational use of material and monetary resources, the decrease of production costs, the continued growth of savings, the maintenance of price stability within the limits that have been planned, and the more accentuated growth of economic efficiency.

The new measures to reduce interest rates ensure the use of production funds with a maximum of efficiency in all enterprises, increase the volume of net income of these enterprises and strengthen and consolidate self-financing, self-administration and self-management of economic units. Under conditions of self-financing, this permits the enterprises to be able to create and increase their own necessary funds in the shortest possible time--as outlined in economic and financial norms--, to resort to bank credit as little as possible and to reduce, at the same time, the effort made to pay interest, which is sometimes sufficiently great.

As a result of the reduction of the interest rates charged by the banks for credit given to economic units, there is a decrease in production costs, distribution costs and costs for investments made by economic units, all of which leads to increasing their profitability and profits. Correspondingly, there is a reduction in the banks' income.

At the 1986 level, these influences represent over 5 billion lei, with industrial units accounting for 2.7 billion lei.

The financial-banking organs are heavily involved in pursuing the precise application of measures which stem from reducing interest rates, in improving the activities of economic units in all sectors, in reinforcing financial and plan discipline and in increasing their contribution to the overall development of the national economy.

Naturally, in the spirit of the increased requirements of the current stage of the development of the economy when qualitative and efficiency factors are taking on a dominant role, the leadership of the party is placing in the center

of attention of the workers collectives--by way of the recently approved measures concerning interest rates--the requirement to identify new opportunities for continuing to improve all economic activities for the purpose of more powerfully increasing economic efficiency.

Those enterprises which will not work decisively to eliminate above-standard levels of stocks and to stay within planned stock levels and adhere to standard consumption rates for raw materials, materials, fuels and energy--despite the fact that interest rates have been reduced--will continue to pay charges and penalties in significant amounts. This will effect the volume of costs and profits, with direct consequences upon the workers' earnings and the funds slated for the development of society.

For that reason, the workers, in their function as owners, producers and users of the results of all the activities that are carried out, have the duty to work with high responsibility and profound commitment and with creative involvement for the implementation of the new measures to improve the economic-financial mechanism and the broad mobilization of the production potential of each enterprise for the exemplary fulfillment of plan tasks under all plan indicators. They will give priority to the attainment of physical production slated for export, the attainment of planned labor productivity, the carrying out of special programs for modernization and the scientific management of production, the introduction of technical progress, the improvement of product quality, the reduction of costs and the more accentuated growth of profitability for the participation of each collective at the highest possible level in increasing national income and overall social wealth.

8724

CSO: 2700/239



## EXPORT PROGRAMS GEARED TO WORLD MARKET NEEDS

Bucharest REVISTA ECONOMICA in Romanian No 27 3 Jul 87

[Article by Emilia Aldea: "Export Programs Geared to World Market Developments"]

[Text] Updating products, improving production and labor organization, and enhancing the ability to rapidly adapt to the current needs of the international market are the factors that ensure the increasingly active and efficient participation of Romanian light industry to international economic exchanges. The light industry has always enjoyed permanent and invaluable support from the party secretary general, Comrade Nicolae Ceausescu, who, on working visits to manufacturing units, research and design institutes, and specialized exhibitions, has been realistically guiding the marked development of this branch. In parallel with meeting the consumer needs of our people, the development of the production potential is responsible for the fact that currently approximately 1/3 of the overall production is sold in foreign markets. During the 1965-86 period light industry exports increased more than 20 times over, now being our country's third major export, after the machine-building and chemical industries.

Reflecting a consistent concern to better utilize raw materials and labor resources, highly processed products--such as clothing, knitwear, and footwear--make up over 2/3 of the light industry exports; if to that we add textiles, which include many items such as bed linen, blankets, scarves, etc., this export sector exceeds 80 percent of the overall Romanian light industry exports, thus reflecting a competitive structure of goods. Romania is one of the traditional exporters to western markets, particularly of highly processed products. Thus, Romania makes up only 0.3 percent of the textile imports of capitalist countries, but about 1 percent of clothing items. The volume of Romanian exports of clothing and knitwear is on a par with that of countries well established on the market, such as Yugoslavia, Austria, and Finland, and is higher than that of Czechoslovakia, Poland, and Hungary. As a clothing supplier, Romania holds a larger share of the market in Italy--11 percent of that country's imports in 1985--and 2-4 percent of the total such imports in the FRG, the United States, England, and France.

The implementation of programs to raise the technical and qualitative level of products is particularly important in the area of light industry, which

requires a complete restructuring of products from one season to the next. Consequently, in order to maintain one's position in foreign markets one must continuously adapt export strategies to market developments.

In the present article we will first of all discuss world market trends in the area of textiles and clothing, which make up about \$100 billion annually in international exchanges, trends that constitute a system of reference for the exporters.

The international market for textiles and clothing is increasingly more sought after, in view of the fact that demand is slowly rising (the elasticity coefficient of demand in relation to the consumers' income being less than 1), and in view of the need to continuously encourage and develop the export production potential of many developing countries. Currently, those countries make up about 40 percent of the world exports of textiles (18 percent in 1963) and over 61 percent of clothing exports (15 percent in 1963), while exports from developed capitalist countries have considerably dropped--to 46 percent of the world textile exports (74 percent in 1963) and only 24 percent of clothing exports (67 percent in 1963). The socialist countries hold about 13 percent of the world exports of textiles and 15 percent of clothing exports, the major, rapidly developing supplier being the PRC, the fifth major exporter of clothing items in the world.

As significant as the fact that the number of textile and clothes exporting developing countries is now in excess of 90, is the fact that among the five major exporters of clothing in the world are three south-east Asian producers, something that highlights a second group of exporters, with a growing offer potential, to which one must add countries such as the Philippines, Malaysia, Brazil, India, and Tunisia. All those countries take advantage of their own resources of raw materials (60 percent of the world production of cotton fibers and 46 percent of the production of synthetic fibers belongs to the developing countries) and of lower labor costs (3-5 times lower than in the United States and in West European countries).

In order to offset competition in their own markets and to recapture their position as exporters in certain foreign markets, the developed capitalist countries have moved toward harsher protectionist measures. No other branch is currently as affected as the light industry by the resurgence of protectionism in developed capitalist countries. Custom duties on textiles and clothing are 2-3 times higher than on overall industrial products, and in particular, the number and forms of non-tariff barriers have increased (annual import quotas, certificates of origin, etc.). In point of fact, textile and clothing items are the only industrial products subjected to multilateral international commercial regulation: the Multi-Fiber Accord (AMF), which is being renewed for the fourth time for the 31 July 1985-1 August 1991 period. The accord, which regulates about 80 percent of the world trade in textile and clothing products, has in recent years deviated somewhat from the GATT principles--under the pressure of certain importing capitalist countries--by expanding the number of classifications for which developing countries are subject to import quotas, and also applying far lower levels than the annual 6 percent envisaged in the text of the accord. At the same time, the industrially developed capitalist countries are engaged in a process of restructuring their own industry, with a view to specializing in the production and export of high

quality, highly processed fashion products, and significantly reducing production costs, especially labor costs, which make up 40-50 percent of the overall production costs for clothes and knitwear. Notably, in the past 10 years 70-75 percent of all investments in the textile industry, and 60-73 percent of investments in the clothing industry in industrially developed countries were designed to update the equipment required to raise productivity and quality, and only 15-25 percent to expand production capacities, especially in the finishing sectors. The average life span of equipment in this industrial sector has dropped from about 20 years in the sixties to 10-12 years in the seventies, and to only 7-8 years in the present decade. Thus, the textile and clothing industries have entered a new stage of technological development which tends to turn traditionally labor-intensive products to capital-intensive products.

At the same time, research and development activities designed to provide new technologies or products with improved properties and aspects have intensified. In the United States, for example, the volume of expenditures for research and development in the textile and clothing industry is about \$200 million annually, i.e., over 10 percent of the total investment funds in this sector. In view of the growing competition in the market of light industry products, rapidly adapting to fashion requirements and even specializing in the production of fashion items are becoming a powerful means of raising competitiveness in relation to mass production and stimulating consumer demand, which is highly responsive to such products.

Also, the sale of fashion products makes it possible to secure higher prices than for mass produced items. Thus, in France, where fashion items make up about 40 percent of all clothing exports, prices for women's sweaters, for example, are approximately 50 percent higher, and those for dresses are twice as high as in other EEC countries, and 2-3.5 times higher than the prices commanded by mass producers from south-east Asia. Italy, the second largest world exporter of clothing has maintained its position in the hierarchy of exporting countries mostly by manufacturing and exporting fashion men's wear and knitwear (over 45 percent of all exports); its exports of textiles and knitwear total close to \$7 billion annually, and have doubled between 1980-85.

Proceeding from these international market trends, in order to increase the volume of export and the competitiveness of Romanian products in the current 5-year plan, we must further improve the quality of our export products, while at the same time promoting more exports of fashion items. In keeping with the objectives established by the 13th RCP Congress and the program to modernize the light industry, in the 1986-90 period we must take into production the equipment required to update the production, and must secure dyes, finishing items, and functional and esthetic accessories that will permit the Romanian products to compete with similar foreign market products from the viewpoint of quality.

Studies carried out by IEM together with light industry producers have identified several useful elements for working out international marketing programs, which we will present here according to groups of products.

The main categories of fabrics marketed in foreign markets are: synthetic

fiber fabrics (43-45 percent of the world exports of fabrics), cotton (38-40 percent), wool (8-9 percent), silk (6 percent), and linen (3-4 percent).

The characteristic trait of the international fabrics trade is that it is highly complementary. The great majority of exporting countries are at the same time importers, thus engaging mainly in exchanges of categories of items. The determining criteria of international fabric exchanges are: varying degree of processing, pattern, utilization, finish, and not least, price.

The characteristic trait of Romanian textile export is that in recent years direct exports of fabrics (processed, too) have been reduced, while indirect exports of clothing have considerably increased, something that permits twice as intensive an utilization of raw materials. Consequently, it is quite correct to give priority, in the coming years, to pursuing only exports of fabrics incorporated in manufactured items. The measures required for this policy are:

- A considerable volume of investments designed to expand the existing production capacities for clothing and to provide them with the appropriate modern equipment;

- Investments in developing the production of accessories and garment linings;

- Restructuring the production of fabrics and, implicitly, the technical equipment of the textile industry, with a view to producing for export only garment fabrics. The existing equipment permits the production especially of narrow fabrics, 0.90 meters wide, which are not accepted by garment manufacturers (the optimal cutting width is 1.40 meters). Moreover, one must remember that only some of the currently produced fabrics can be used for garments (jersey, poplin, velvet).

In view of the fact that Romania will continue to export certain types of fabrics, at least in the immediate future, we must endeavor to obtain best returns for the raw materials incorporated in those products, by:

- \*Improving and diversifying the structural range of products.

The study of structural trends in international markets shows that Romanian fabric exports must be geared on:

- Wide and very wide fabrics (140-240 cm) made of cotton or cotton and polyester blends, mostly with a print. Foreign demand for narrow fabrics (90 cm in width), which are still an important element of Romanian exports, has greatly dropped; on the other hand, the specific price commanded by such fabrics is 30-40 percent lower than that of wide fabrics;

- Fabrics with a higher degree of processing, including fabrics individually dyed, emerized.

- Better finished cotton and cotton-type fabrics, especially filmed, waxed, and shiny cottons, with fake creases, two-tone dyeing, and water proofing;

--Fashion fabrics, in blends that are in demand in foreign markets, such as: cotton-type fabrics with stand-out or satined yarns, wool-type fabrics blended with lustruous viscose or filamentary P.E., flannels made of double worsted yarns with a 45-75 percent wool contents, fabrics with shiny colors obtained by using bleached wool, 100 percent linen fabrics with soft handle or mixed in proportion of 20-30 percent linen and 70-80 percent P.E. or P.E. and P.N.A.

\*Raising the quality of fabrics by improving the technological equipment and adopting new, modern technologies permitting both improved yarn quality, and a better fabric finish. For that purpose we must:

--Adopt nonconventional spinning technologies (with one open end) in linen and wool spinning mills, and expanding nonconventional weaving technologies throughout the textile industry;

--adopting technologies for upgrading local natural raw materials, such as: chemical treatment of flax and hemp yarns, eliminating vegetable impurities from raw wool (which gives the indigenous washed wool a 41 percent productivity as opposed to 86 percent for imported wool);

--obtaining very fine yarns from unique yarns, filament yarns, and worsted wool yarns with reduced consumption and weight, which are in line with foreign market demand and which contribute to reducing the weight of fabrics. At the same time, in order to ensure a high quality, even yarns, and greater fabric beauty, we must expand the technology of electronic yarn cleaning, improve the quality of some of the component parts of spinning equipment (harness mountings, belts, sleeves), and acquire installations for cable dyeing with pressure jets, thermosol, or ultrasound dyeing;

--developing or expanding the utilization of modern finishing technologies such as: foam starching of fabrics, two-side printing, lustruous film covering, waterproofing, and improving dimensional stability.

\*Better adapting fabrics to the prevailing fashions from the viewpoint of pattern, texture, fiber blends, and colors.

For that purpose, designers must regularly attend specialized international fairs and exhibitions, including those which determine the color schemes of textile yarns; on the other hand, textile mills must cooperate more closely with garment factories, which are familiar with the fashion trends regarding clothing fabrics.

At the same time, we must take into account the fact that certain fashion trends may appear on the fabric market for relatively short periods of time--2,3, or 4 seasons--and those do not justify investments in our own industry; in such cases, we recommend cooperation with partner firms for bringing in equipment, installations, and accessories for achieving products of the required standard, for the duration of the respective trend.

Within the textile clothing sector, the most dynamic segment is still women's wear, which constitutes our competitors' major export (55-70 percent of

overall garment exports). This segment must make up the majority of the Romanian exports in this domain, too, in view of the high marketing potential and of the fact that the returns obtained are 45-200 percent higher than for similar men's articles (windbreakers, blazers, raincoats, trousers, and working clothes). Concerning both women's and men's wear, there is continued high demand for sports and leisure clothes. Those already make up over 28-30 percent of all the clothes sales in the United States and Japan, about 25-27 percent in France, the FRG, and Italy, and over 20 percent in England. This type of clothes are made, as a rule, of cotton or of cotton and linen or cotton and polyester blends. From the viewpoint of the raw materials, yarns, and fabrics used there are frequent changes from one season to the next, in keeping with the fashions trends shown at specialized fairs (Interstoff in Frankfurt-am-Main, or Fabex in London, the Men's Fashion Week in Koeln, IG.E.O in Duesseldorf, etc.).

The following categories of textile garments are currently in demand: windbreakers, jackets, blazers made of cotton mixed with fashion yarns (P.E. filaments) and coated poplin; blouses and dresses made out of embroidered fabrics woven from very fine yarns of up to 200 gr/meter; outer wear for men and women made of 100 percent wool and bearing the logo "wool mark;" complex garments made of a combination of various fabrics: textiles, tricot, leather, and ornamental accessories.

Regarding knitwear, single pullovers or sets (long pullover or jacket with skirt or trousers) continue to be in brisk demand, particularly those with a jacquard pattern. Also in great demand are sweatshirts with raised writing on them. Among the novelty items we find: padded windbreakers and running suits, 100 percent wool knitwear of the Shetland or Lambswool type or mixed with P.N.A. yarns, mohair, alpaca, or angora; wool-type knitwear made with special effects yarns (boucle, raised nap); sports clothes made of woven velveteen or corduroy-type knitwear, or of imitation suede.

Simultaneously with structural diversification and alignment to the seasonal fashion trends signaled biannually at specialized fairs, an increasingly important role for marketing clothing and knitwear is played by the utilization of an extremely varied range of accessories (zips, buttons, hooks, buckles, woven labels, emblems, and imitation leather trimmings). Similarly, textile garments must be made with high quality insertion materials and dyes, and with color coordinated linings.

By definition, exports of textile and clothing articles are conditioned by active and regular presence at both specialty fairs, which indicate the fashion trends for the next season, and at major marketing centers. That requires an improved foreign marketing network, which can be achieved by expanding joint or individual marketing agencies; that can have a positive impact on our capability to secure contracts, update products, efficiently adjust to frequent changes in foreign demand, and obtain higher export prices.

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## LONG-TERM IMPLICATIONS OF REPAYMENT DELAY TALLIED

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian 12 Jul 87 pp 17-19

[Article by Zoran Jelacic: "The Foreign Debt: Beginning of the End"]

[Text] For several days at the end of last week excitement flared up and blazed because of Yugoslavia's inability to repay its debt on time to its foreign creditors. Were there grounds for anxiety? If so, and that means if the problem that arose was not one of a day or a month, then why did everything calm down so quickly. One of the reasons why this has not been a public topic certainly lies in the fact that negotiations between representatives of the Yugoslav authorities and foreign creditors did not last long: The debt which has come due to the commercial banks, amounting to approximately \$250 million American, will be paid in September instead of now. This outcome of the talks hints at minor difficulties in the future. However, when evidence is sought for this first impression--one gets a different picture.

The Foreign Press

Correspondents from Yugoslavia have been quite busy these past days. When everything well-known to the Yugoslav public is removed from their reports, there remains more evaluation than information. This latter group does include the news that the figure involved is \$240 million and that the Yugoslav Government, in view of its inability to make payment on time, applied to the International Investment Bank in Basel for a temporary loan of \$300 million. This is referred to as bridging a credit to overcome momentary difficulties; Yugoslavia has used it countless times, and usually a telephone conversation was sufficient. Now the situation is essentially different, as follows from the statement which a Western diplomat made to the Yugoslav correspondent of a wire service: bridging requires land on both sides.

Most of the current reports from Yugoslavia do not say that the present illiquidity is the beginning of permanent illiquidity and of an ever greater inability to repay the debt. Nevertheless, cautious estimates do go in that direction, whether they talk about the ever faster inflation or other adverse economic developments or report on the great dissatisfaction of the International Monetary Fund mission which is in Belgrade right now on its customary semiannual study of the parameters of the Yugoslav economy.

It is interesting in this context to recall one of the findings of the Fund's previous mission, last December. Namely, they estimated at that time that Yugoslavia would be short approximately \$800 million in this year's balance of payments, but the Yugoslav side interpreted this as a kind of pressure for "standby" arrangements and, of course, rejected such an estimate as unfounded. It thereby rejected the possibility of getting approximately \$400 million a year, since that is the only essential difference between that arrangement and the "closer monitoring" system which now applies to Yugoslavia.

The whole storm, which might seem to have been a tempest in a teacup, calmed down with publication of the news that the 2-day talks between the Yugoslav National Bank and the International Coordinating Committee of foreign commercial banks had ended in an agreement which provides that in September Yugoslavia will pay \$90 million which came due on the last day of June and \$150 million which were supposed to be paid on 15 July. Moreover, the Yugoslav news agency interprets the statements made by the two negotiators, Dusan Vlatkovic, governor of the National Bank of Yugoslavia, and Fulvio Dobric, senior vice president of the New York bank Manufacturers Hanover Trust. Vlatkovic said that an unnecessary overtone had been attached to this delinquency in the reporting to the foreign public, since it is not a question of the inability to pay, but of a temporary discrepancy between the inflow and outflow of convertible currencies. The argument for the assertion that this is a seasonal difficulty lies in the present 15-percent growth of exports to the convertible area and 20 percent increase in exports to the advanced industrial countries as well as in the upcoming inflow from tourism. In addition, the governor of the central bank reports that this year Yugoslavia paid off \$1.91 billion.

By contrast with a number of other debtor countries, Dobric says, the Yugoslav debt has not been growing, but shrinking, and there were no difficulties in reaching agreement about a different schedule for repayment of the debts which have now come due. The reactions in the commercial banks were neutral as to what the world press was writing about Yugoslav difficulties, and even this brief postponement should have been used for economic development, which is not possible without new capital.

#### Behind Closed Doors

The newspapers also carried another wire service report that same day: The National Bank of Yugoslavia was improving the terms and conditions for use of primary note issue; that is, it was raising rediscount rates on certain credits because primary note issue was increasing by 160 billion dinars. Back in May the money supply began again to grow at a high rate, and in late June the official statistics for the first time recorded a three-digit rise of prices compared to the same month of the previous year, which only means that this year's inflation must be still higher. At the same time the federal government published a decision extending the present price controls.

But let us go back to Yugoslavia's external liquidity, although several of the preliminary reports contained the essence of illiquidity, indeed that variant of illiquidity in which the difficulties will be greater and greater. Before the agreement on postponement of the debt was made public, in a regular press



on the delinquency Aleksandar Stanic, spokesman for this government area, said that according to reports in daily newspapers a relatively small sum was involved, about \$200 million, which we would have been able to pay out of foreign exchange reserves, but we felt that it was a more favorable alternative to find short-term 60-day bridging credit, and he added that Yugoslavia was already in contact with representatives of the International Coordinating Committee of the banks and that he anticipated understanding in the upcoming negotiations, since there was a certain inflow of new resources from tourism and exports had grown considerably.

No explanation was given on that occasion as to why it was more favorable to seek a bridging credit than to pay the debt from the country's foreign exchange reserves. Incidentally, there is no way that that could be clear until one knows the amount of those reserves. One of the possible questions is this: Why during the previous months, especially when exports were doing poorly, was application not made for bridging credit or postponement? Or is it now being applied for precisely because the country's foreign exchange reserves have been used in the meantime? That would mean that the water is up to the neck, which is an answer that will be understood by everyone who these past months has been attempting to obtain an imported drug, who is waiting for X-ray films, and these days even for injections for extraction of a tooth.

From these and all the other shortages or payments to foreign trading partners which have been postponed one can draw only an approximate conclusion about the reduction of the country's foreign exchange reserves, but not about the size of that reduction or about their present status. The foreign press writes about this on the basis of statistics of the International Monetary Fund. According to that source, in March Yugoslav foreign exchange reserves amounted to approximately \$1.4 billion. However, those statistics do not show the structure of reserves, so that we do not know what was actually held and what was actually held and what was actually available for use, but it is evident that even the reserves of the country so indicated have been declining continuously since last fall and that they declined by approximately one-third between then and March. Moreover, the emphasis on the present growth of exports had different weight when the figures being used were free of exchange-rate changes. Unfortunately, that would not be to our advantage.

#### No Surprises

It might be concluded from the very fact that Yugoslavia applied for a postponement or credit to bridge its obligations come due at 1 minute to midnight that its leadership had been brought to that point by unforeseen events that occurred in the last hour. The fact that the situation is different, however, is demonstrated if only by the statement made by the chairman of the federal government on Monday during a meeting in the Federal Assembly in which the session of the Federal Chamber was being prepared for the end of this month. The government, Mikulic said, had concentrated on improving external liquidity and had adopted a special program which was already being carried out. In addition, the bases of economic policy for the coming year are being prepared, and one of the backbones of that policy is the program for long-term consolidation of external liquidity.

While the postulates of the latter are still not known, as to the short-term improvement of external liquidity or reduction of the deterioration, one hears that there is nothing more serious than that a policy of real exchange rates is being conducted more intelligently and more up-to-date. The malicious observer would certainly relate that to the recent report of the federal government which literally says that last year a policy of a real rate of exchange was conducted, and also with the recent statement of the minister of finance to the effect that this year's budget was planned on the basis of an unrealistic exchange rate of the dinar. But the situation is so serious that it demands incomparably more in the way of solutions than settlement of accounts and nothing more. In any case, it would be easy to prove that the government is disoriented daily--and also that it is remaining on its erroneous basic course.

Even if the federal government did not know about the threat of the country's external liquidity, which one would have to be naive to believe, it did have a clear warning from its parent committee of the assembly dating from the beginning of last December. The committee's conclusion, which was adopted by the Chamber of Republics and Provinces, says among other things that a policy of normalizing the country's external liquidity is not being conducted, that this is a consequence of the decline of exports because of failure to carry out the essence of the Long-Range Economic Stabilization Program and of the increased domestic inflation as well as oversights in conducting the policy of the real exchange rate of the dinar. It went on to note that the "gifts," from the movement of the dollar and the drop in oil prices and interest rates, were not taken sufficient advantage of, that significant problems also follow from the fact that the foreign exchange market is not operative. It states in conclusion that the problem of maintaining the country's external liquidity continues to be complicated, that the federal government and other federal agencies have a duty to create more favorable conditions for normalizing the situation in this area.

Two or three weeks before that newspapers gave a lot of play to Mikulic's statement to the veterans that Yugoslavia had reduced the debt by \$1 billion and that initial constructive trends of getting out of the crisis were involved. But even by mid-February we find this in a report from a session of the federal government: "The problems of foreign exchange illiquidity are particularly acute." And further: "Amendments and supplements to the decree on the organization and operation of the unified foreign exchange market, the draft of which has been approved in meeting, provide that if available currencies should not exist in the accounts of the authorized banks over and above the set minimum, and the National Bank of Yugoslavia does not possess current foreign exchange reserves, foreign exchange is to be furnished on a proportional basis from the minimum of all the authorized banks. A penalty was also provided for the behavior of authorized banks if they refuse to sell a portion of foreign exchange within their minimum for regular payment of obligations under foreign credits."

#### The End of the Beginning

If we follow events back in time from the boasting last fall to the previous months and year, then we first come upon the famous article about a session of

the government under the headline "Printing Money Against Price Increases." This tragicomic message from the beginning of October cannot be taken otherwise than as a logical consequence of the policy which Mikulic announced in Nis at the end of July, in spite of his own and other proclamations. At that time Mikulic announced application of the model of programmed inflation, that is, that an interest rate and exchange rate policy would be conducted according to the movement of prices in the previous 3 months and the estimate for the coming 4 months. At the same time, so that the estimates would not be too far off, prices were frozen for 3 months, but at the same time there were statements coming from the economy that this would be made up for at the end of 120 days. Here is what Mikulic said:

"The Federal Executive Council is not frightened of those threats and is already preparing measures with which to oppose such types of behavior, nor should anyone threaten us with shortages of any goods whatsoever, since we have already provided the funds for material and market reserves as well as for imports with which to intervene on the market. Citizens of Yugoslavia can rest easy that there will be no shortages whatsoever."

This pledge and the guarantees of the chairman of the federal government should not be taken otherwise than as a public official's responsibility for his public statements--but not exclusively those of an individual and of the institution which he heads, since that is a course which did not begin with the present team in New Belgrade. Rather the previous team at the beginning of last year abandoned the policy which it had been advocating since the spring of 1985. But then followed the famous session of the Central Committee in which the attempt of that government to really start out on a radical economic reform, one in which it was proposed that the dinar and its stability be looked to as a decisive instrument for calming down inflation, was criticized, but not defended. Actually this was an attempt to create a dinar system by contrast with a system that operates in some foreign currency, since no serious society or compact community would have the latter.

#### Blockade of the Federal Government

There is no public evidence, but the only thing that could have happened is that this program was taken up not only in the plenum, but also in the top leadership of the party and government. The silence lasted until late fall when a joint session was held of the collective head of state and federal government. Perhaps one day it will become clear why from that moment on the government consented to countersign a policy up to the end of its term of office opposite to the one which it had advocated up until that time. But extension of the responsibility from the present head of the federal government is only partial in view of the fact that he came from the State Presidency and probably was on a wavelength which was contrary to real economic categories.

Be that as it may, Yugoslavia is now in an incomparably more grave situation than in 1982, when for the first time the inability to repay the foreign debt was made known. After all, if nothing else, after the first successes and support for stabilization the leadership has lost confidence to a great degree--both abroad and also here at home. It seems that there is enough evidence for

the international position even in this sporadic survey. There is no need to seek better indicators of the position here at home than the trend of saving. At the beginning of this year Dr Milan Golijanin, who has long been vice governor of the National Bank of Yugoslavia, announced the figures on the flight of the dinar over to sound currencies: from the end of 1980 to the end of last year the share of dinar savings in total savings dropped from 414 to 26.6 percent, to the advantage of a growth of foreign exchange savings, of course. If there is no dispute that the confidence of the population in the national currency is an expression of confidence in the policy of the leadership, then, at least as far as savers are concerned, everything is clear. The picture could be made only blacker still if we take into account other strata of the population, whether it be those who keep their foreign exchange in foreign banks or at home or those who cannot even think about savings, since the rise of inflation has in the meantime cast them back to minimum subsistence.

Perhaps we should look in these realizations for an opportunity for a turnaround or a sufficiently strong breakthrough of the awareness that the present "beginning of the end" is actually the end of a vicious policy that was engendered by an equally vicious system.

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CSO: 2800/250

## REASONS FOR SHORTFALLS IN LEAD, ZINC PRODUCTION ANALYZED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 13 Jul 87 pp 24-25

[Article by Dragan Nedeljkovic: "Lead and Zinc: Erroneous Mining"]

[Text] The business community of lead, zinc, and antimony producers and processors commissioned the Economics Research Center of the Social Sciences Institute to do an analysis of the economic status of the mines of these metals, but now that the analysis is done they do not know what to do with it. The attempt to join the Federal Committee of Trade Unions in Metal Processing in organizing a meeting at which measures would be proposed to put mining on its feet was not very successful, although there were proposals for convening a congress of miners, and a report was sent to the Federal Executive Council, the Economic Chamber of Yugoslavia, and other institutions. Representatives invited from the Federal, republic, and provincial executive councils and economic chambers did not make an appearance at the meeting with few exceptions, as though they are occupied with other problems and mining does not really interest them very much.

The analysis of the economic status of lead, zinc, and antimony mines shows that this is "the last moment to undertake anything very serious" (Ljubomir Todorovic, director of the business community), or the total "absence of a future for development, in plant and equipment, in personnel, or in technology" (Andrija Mijuskovic, Economic Chamber of Yugoslavia). "There have to be measures to halt the economic erosion of mining," Mijuskovic says. What is actually happening?

In spite of the priority status granted them in all social documents, Yugoslav mines had been building up difficulties for 1.5 decades and have been losing the comparative advantages they once had on the world market; neither annual nor medium-term production plans and development programs are being fulfilled, and in just a year's time the mines' losses have increased from 2.4 billion in 1985 to over 12 billion dinars last year. There is no one to cover the losses, and there is not even any point in drawing up financial rescue programs. The time seems to have come to abandon mining and close down certain mines. Zarko Gemaljevic, director of "Rudnik" in Gornji Miljanovac, feels that the mining is being done wrong: "In the world today mining is high technology, but we do it with pick and shovel; elsewhere highly educated people are employed in it, while in our country they are semiliterate or illiterate, we bring together

shepherds and train them on the spot, but we pay the contribution for education even though schools of mining have all shut down. The equipment of our mines is 90 percent written off, but if we were to install up-to-date equipment we would be unable to use it."

And Radule Nastic of the mine "Blagodan" says that there is no longer any point in adopting the conclusions that follow from the study, since "we have adopted them countless times and nothing has happened--society is not interested in mining, and whatever we get serves the sole purpose of preventing strikes and keeping people off the streets, although we pay them below the minimum level of subsistence." Slavko Usic of the trade unions, on the other hand, says that the mines are producing disabled persons and that we should not work for accelerated accumulation of pensionable service for miners, but improvement of their working conditions, since "the miners get sick and become disabled before they reach pensionable age even at the accelerated rate." Enis Preseva of "Trepca" says that in every age group 30 percent of the miners become disabled. The policymakers must take the responsibility, on this Preseva is categorical, illustrating this with the datum on the lag of domestic lead, zinc, and silver prices behind world prices and an analysis of the Federal Bureau for Prices which shows that the lead and zinc grouping has fared the worst in the price race on the domestic market. "To go out into the world, and three-fourths of the grouping's output is exported, we have to have world conditions," the representative of "Trepca" concludes.

#### Natural Depletion

The fate of mining in the world--a steady decline in the content of metal in the ore that is mined, mining at ever greater depths, and ever longer transport of the ore to the flotation plant--has been affecting Yugoslav lead, zinc, and antimony mines.

In 10 years the content of lead has dropped 23 percent and that of zinc 27 percent at domestic mines. The difference between Yugoslav mines and foreign mines lies in the resistance to this natural depletion of the ore. Whereas elsewhere in the world productivity is increased by greater production, by introducing new mining methods, and through automation and mechanization, and the lower content of the metal in the ore is compensated, our mines have been neglected, they are unable to invest on their own, they have outdated equipment, they have too large a labor force and their personnel are not sufficiently trained, so that their productivity is 40 percent what it is in the large world mines--with few exceptions. There are even examples of outright violence to nature, i.e., neglect of the limits within which it pays to mine ore: the world average metal content in the ore is 3.7 percent, but ore with a 1-percent content is being worked in certain mines at "Trepca."

Given the present organization of work and prices of the metals, the mines "Kisnica," "Badovac," "Suplja Stijena," "Mezica," and "Brskovo" cannot operate profitably, while the mine "Novo Brdo" is on the margin of profitability. The specialists say that Yugoslavia still has sufficient ore reserves at approximately the world level of metal content where mines could be developed, but it is very difficult to make up the lag in equipment, technology, and personnel that has occurred over the last few decades.

Most of the trouble in fact has been caused by inadequate investment in exploration and mine preparation work, so that a majority of the mines does not really have a secure basis for long-term development. The once famous "Stari Trg" Mine, for example, barely has reserves for 5 or 6 years of operation. The medium-term program in the current plan provides an annual investment of 15-20 billion dinars in the mines, but the mines cannot furnish even a third of those funds. Over the last 10 years or so mine reserves have increased about 30 percent, which is not enough to keep them at the normal level. Further explorations are held up by big financial problems, and even what is being invested in explorations, the upgrading of reserves and preparation is confined to the investor's "own area," so that all of 80 percent of the feasible reserves are associated with the mines that already exist.

The organization, the degree of preparation, and the excessive number of employees (the disabled people are assigned to the "easier" jobs) detract essentially from productivity and operating results. Excessive OUR-ization has thus created a large number of jobs which represent overhead, and only now are efforts being made toward integration and consolidation of mining organizations. The analysis shows that Yugoslav mines are in a very adverse position compared to world mines: whereas elsewhere in the world mines and miners are exempted from fiscal obligations or at least less burdened than the rest of the economy and industry, the situation in our country is the reverse--the mines have a heavier burden than the average for industry. The contributions and taxes paid out of income and personal incomes in the mine rose 97 percent last year alone, while income rose 30 percent. The datum that about 8,000 different institutions make decisions on taxes and contributions is one for Ripley.

### Export Strategy

This analysis has largely shaken the conception for the future development of lead, zinc, and antimony mines. Is there even any point in planning an 8-percent growth of production for ore, 11 percent for lead concentrate, and 12 percent for zinc concentrate, as was done in the current medium-term plan, when it is known in advance that the plan will not be fulfilled? Especially since the situation on the world lead and zinc market, which is the only market that can be counted on, has undergone essential change. It is not just a question of exchange prices of the metals and the trend toward lower or stagnant prices which has been present for several years (in 1979 a ton of lead cost 540 pounds, and last year 270 pounds), but also of the gradual decline in lead consumption and the small growth of zinc consumption. Storage batteries using lead, which in our country and in the rest of the world have been consuming about 60 percent of all the lead, are being made with less of this metal and are lasting considerably longer. That combined with the 40-percent scrap lead has brought about a rapid drop in consumption of primary metal for storage batteries. Much the same is true of the lead used as an additive in motor gasolines--it is being eliminated more and more frequently because of pollution of the environment--and with the lead used for cable shielding and certain other purposes.

The situation with antimony is identical, and a slight increase is envisaged in the future for zinc consumption. All of it taken together does not afford

great opportunities either for a growth of consumption or for a rise of prices, although this year prices are somewhat better than in the last 2 years.

It is a unique trouble that the lag of the mines and their unenviable economic status have been accompanied by a virtual boom in development of metallurgical and processing facilities, mainly without a study of the market and trends in the world, without a plan or a conception, and indeed even without an adequate raw materials base. It seems as though every region, every republic, and every province wanted to have its own processors, especially factories making storage batteries, so that now there is not enough metal or enough work for them either individually or together. Present flotation plant capacity, for example, could handle 110,000 tons of lead and 78,000 tons of zinc concentrate, while lead smelteries have a capacity of 240,000 tons and zinc smelteries 180,000 tons a year. In the later phases of processing the gap is wider, and there is practically no factory that would be capable of importing metals, processing them, and reexporting them and surviving on that business.

At the same time this means that it is not just the mines employing about 17,000 people that are in a difficult position, but the entire grouping as a whole, which has a labor force of over 60,000. Yet it is most difficult for the mines and the miners. What is seen as the way out? In making the case for the measures proposed for getting the mines on their feet, Ljubomir Todorovic did an unusual computation. Total possible savings based on last year's business operation amount to over 16 billion dinars, while losses were 12 billion. Yet there are opportunities for the mines to operate without losses and to improve their economic status. Almost half of those calculated savings, 44 percent to be precise, must be realized in the mines themselves, above all by fulfilling the production and sales plans. The remainder is made up by various obligations met out of income (if taxes and contributions were reduced by 10 percent, the result would exceed 2 billion dinars) and solutions related to the "system." It is a question of the disparity in domestic prices, the exchange rate of the dinar, and other government measures. Incidentally, last year the prices of lead and zinc metal and products made from them rose between 36 and 53 percent, while the prices of other industrial products rose 71 percent.

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CSO: 2800/251



## HOUSING SHORTAGE SEEN CAUSING DISAFFECTION

Oslo ARBEIDERBLADET in Norwegian 29 Jul 87 p 16

[Article by Dag Halvorsen, datelined Warsaw: "Housing Emergency in Eastern Europe"]

[Text] A communist colleague said recently: "Why do you from the West write so much about dissidents? You should write about the housing catastrophe that makes people into anticommunists for purely biological reasons. Young people have no possibilities of getting housing. They can neither have sex nor start a family in the normal way. And then we want them to become supporters of the system!"

The statement was a highly realistic result of "glasnost." The housing crisis is not just the largest social, but also the big political problem. The GDR is in many ways an exception, and this is one of the reasons why party chief Erich Honnecker thinks he does not have to follow Gorbachev's new line.

## Poland

It is worst in Poland, in that housing is actually going in reverse. The line increases, television shows pictures of newlyweds and comments that "If they are lucky, they will get an apartment for their silver wedding anniversary."

The latest statistical survey showed that housing construction did not increase in the first half of 1987, and new problems with raw materials have resulted in a fall in the production of building materials. Unreasonable conditions mean that workers can earn ten times as much working privately. There is a lack of labor and materials. The situation is so serious that the new unions say that spontaneous strikes and disturbances can arise. The reforms have no effect on the housing sector, it is said.

## Hungary

On the other hand, young Hungarians say bitterly that with them market principles apply. The result is that no young families without large extra incomes can afford to buy an apartment. A leading planner in the housing sector says that the housing situation is worse than before, that it is in reality hopeless. Only 17 percent of the apartments are now financed by the

state, and they go to the poorest or to those with the most children. Normal families have no chance. Housing construction has declined since 1979. There is a shortage of material and capital. Prices have risen much more rapidly than incomes. Credit possibilities are limited. No one hides the fact that the housing crisis is an important cause of rising alcoholism, more divorces, and abortions. Many also criticize the bad environment in new housing areas. Most people have long ago stopped complaining about the complete lack of aesthetic considerations.

#### Bulgaria

None less than the new prime minister, Georgi Atanov, has complained about the miserable standard in Bulgarian housing planning, particularly in Sofia. In Bulgaria -- as in other Eastern countries -- the organization is very difficult to manage. Many firms must cooperate, none has complete responsibility. The result is bureaucracy and permanent delays. The goals of the five-year plan up to 1986 were only 80 percent completed, and no improvement is in sight. The new reforms have at any rate had no visible results in the housing sector. Bulgarian commentators point to a direct connection between the housing line and the falling number of children. In 1986 only 54,000 apartments were built, compared with 74,000 in 1980. The figures have declined in the 1980's in all Eastern countries except the GDR.

#### Rumania

Rumania is the only country where it is hard to get a concrete picture of the situation. The discussion about social problems in Ceausescu's realm is highly limited, but it is clear that the crisis has hit Rumania harder than any other East European country. At any rate the population has not been hit so hard in any other country. The number of apartments per year sank from 198,000 in 1980 to 132,000 in 1984. The five-year plan was only 75 percent completed, and there is no sign of improvement under the current plan.

It is interesting that 500,000 young people live in so-called worker hotels that generally have miserable standards. Many must continue to live in these slums, separated from their spouses, after marriage. The miserable conditions for young workers, not just in Rumania, but in Bulgaria and Poland as well, lead to alcoholism and antisocial behavior.

The special element in Ceausescu's case is that the dictator has ordered much reconstruction in central parts of Bucharest and in the long run in provincial capitals to make room for a pompous, new representative architecture and city plan. This in spite of the crisis and need.

Elsewhere in Eastern Europe the housing catastrophe is at least taken seriously. In Rumania unnecessary efforts are being made to realize the architectural plans of a megalomaniac. Ceausescu is thus following the tradition of other well-known dictators of this century.

## Czechoslovakia

In Czechoslovakia the number of completed apartments per year has slowly but surely declined since 1975. People are put into bedroom towns. This is particularly depressing in Prague's new housing area, because one is so close to some of the most beautiful city architecture in Europe. Twenty minutes on the subway is enough for one to walk up into today's sad architectural reality, where one meets the reverse side of "golden Prague."

But for young families, aesthetics is not the most important thing. The thing is to get a roof over one's head. The waiting time is on average "only" five years, but almost double this in Prague. In Czechoslovakia only a few build private houses. Not many have money, and the bureaucratic difficulties are great. Moreover there is a shortage of workers and materials. But here as in other places a mason or a carpenter who takes many big extra jobs is richer than party bigwigs.

A new, more radical discussion of the housing catastrophe and the possibilities for new solutions has started, not just in Poland. There are proposals on the table for an extensive decentralization, even a certain degree of privatization. But the example of Hungary is frightening. It is easy to land in the other trap where the housing becomes so expensive that the problems become insurmountable for the average family. We are also acquainted with this in Western countries.

Much indicates that the housing crisis will continue to be a central negative factor, politically as well, into the 1990's. With or without perestroika, the struggle to obtain humanly decent housing will continue for many years.

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